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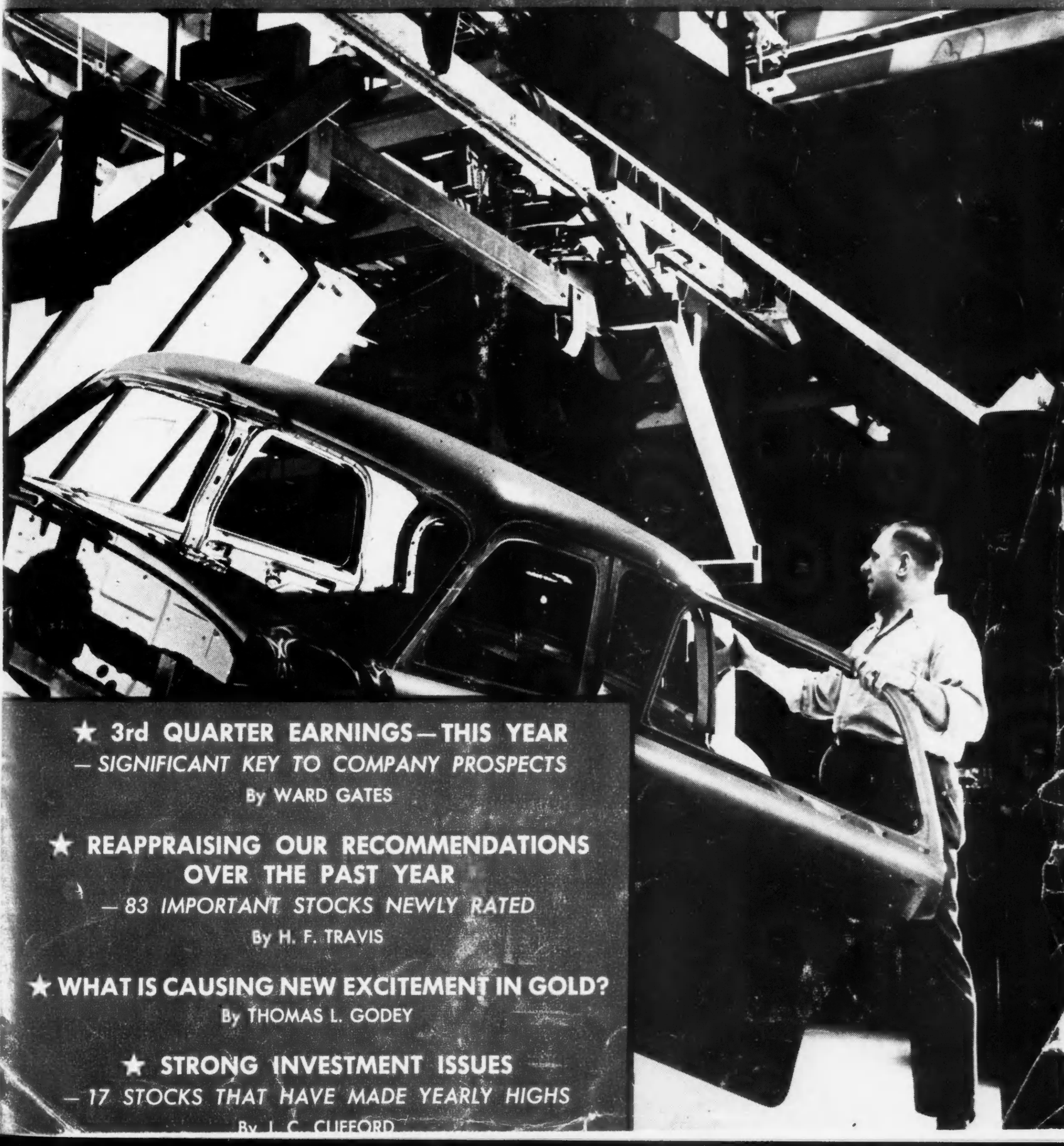

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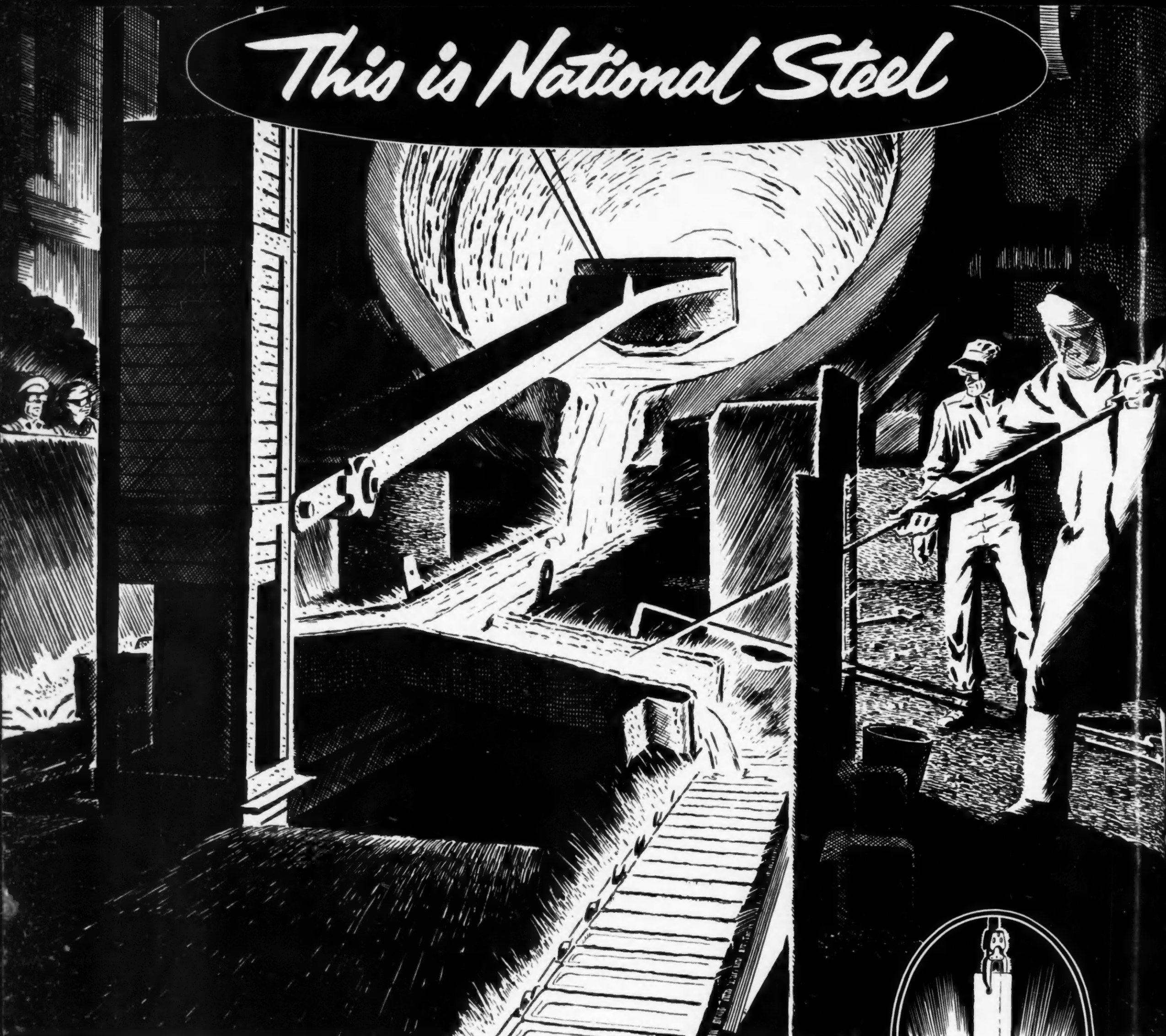

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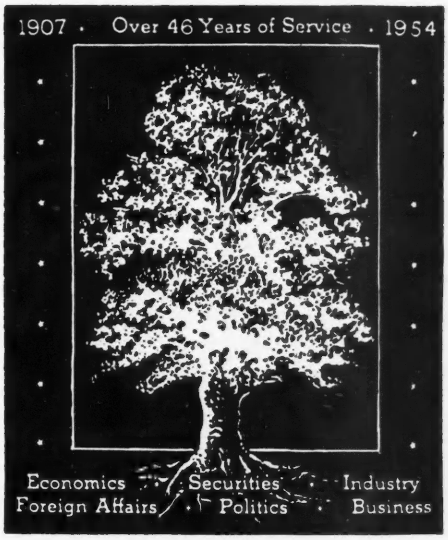
C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

ROLE OF GOVERNMENT IN PROVIDING FULL EMPLOYMENT... The Administration has been under heavy attack for seeming to fail to take steps to reduce the rolls of the unemployed which have accumulated in the past 18 months and which are now variously estimated at from 3.3 to 5 million, depending on whether the partially or periodically employed are included in the totals. Criticism of the government's policies has by no means been confined, as might be expected, to the labor unions or radical spokesmen, as not a few highly respected economists have also taken the position that the Administration has not been alert to its responsibilities in this matter and that, in fact, it has failed to fulfill its function under the Employment Act of 1946.

This criticism seems harsh and undeserved. The fact is that the government has dealt with the problem of unemployment in a difficult period of transition from war to peace without attempting to grapple with it directly through artificial stimulants but by creating a solid framework in which the economy could make its own adjustments without risking another round of inflation. This it has done principally by eliminating controls, by reducing taxes, by bringing the budget into better though not perfect balance and by strengthening existing built-in stabilizers such as extending social security and unemployment compensation. For the most part, it has not attempted to intervene directly through "made-work" as in the New Deal though the pressure from politicians representing depressed areas has been intense.

The government is acting on the basis of long-term rather than short-term considerations. For that reason, it is compelled to make a choice between wholesale, costly intervention, hastily improvised to meet current situations, and the less direct route of keeping the economy in balance through the orthodox measure of tax relief and credit control.

These undoubtedly may be slower and less spectacular in their application than the familiar dramatic measures normal to the free-spending preceding Administrations. Nevertheless, they are to be preferred, as much more likely to maintain the economic structure intact over the long run.

There is no doubt that 5% of our workers are in distress to varying degree and this is something we do not like to see in our country. However, it is worth pondering that if we were to now provide the means to restore full employment at the cost of disrupting the government's financial structure, all the rest of the nation's employed—over 62 million of them—would automatically face a period of uncontrolled inflation, with the hardship this implies, and thus entirely undoing the Administration's program. There is no perfect solution to the present unemployment situation but, upon reflection, we believe that the nation will come to see that the slow, patient strengthening of the economy through basic Administration policies, as they

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

are now unfolding, is the only sound approach.

WORLD STOCK MARKET PRICES CLIMBING . . . Most Americans by this time are aware that a major rise has been taking place in the stock market in this country; but, it might startle them to know that the same phenomenom is visible in most of the nations of the free world. The world boom in stocks is about a year old. During this period, American prices (for industrials) have advanced some 35%; British, 35%; Canadian, 25%; Dutch, 32%; French, 30%; Swedish, 25%, and Swiss about 15%. Stock Exchanges in many other countries have registered almost equally impressive gains.

The rise in the American stock market is generally attributed to a somewhat belated response to the inevitable effects of inflation on security prices. It also, unquestionably, reflects the unparalleled growth of the American economy since the end of World War II.

The rise in stocks in other nations of the free world probably is due to their substantial economic improvement, the accumulation of new capital and, above all, confidence that the revival of their economic well-being will not be interrupted by war.

Whether or not the world will be fortunate enough to have these hopes realized, none of us can tell until the Soviets and the Chinese communists offer real guarantees that they will not disturb the peace again. In the meantime, it is good to know that our friends abroad are recovering their economic strength. For one thing, it will give us a better opportunity to concentrate more on our own economic problems.

FAMILY SAVINGS—A VITAL FACTOR IN INVESTMENTS . . . One of the most remarkable features of post-war America, has been the tremendous climb in personal net savings (the savings of individuals). From an annual average of close to $10 billion in the early post-war years, the people's savings has about doubled. In 1953, they were $20 billion, rising to an annual rate of $21.5 billion in the final quarter of 1953, and $21.8 billion in the first quarter of 1954. Figures so vast necessarily exercise a profound effect on the nation's investment markets.

The rise in savings basically illustrates the over-riding fact that the average American breadwinner is more intent on providing security for his family than at any time in history. This impression is fortified by undeniable evidence that savings almost exclusively are taking the form of life insurance, savings bank deposits and U.S. Government savings bonds, the total of which now amounts to the stupendous sum of $388 billion.

Concentration upon liquid savings in these three principal categories indicates preference of citizens with moderate earning power for "fixed dollar" investments, that is to say, investments that will not fluctuate. Actually, of course, the value of these investments fluctuates in terms of buying power but, apparently, the breadwinner reasons that any depreciation in the value of his liquid savings through inflation of the dollar can be made up by higher wages. In practice, this theory seems to have been verified, judged by the successive post-war rises in the wage level, which has more than compensated for the drop in the value of the worker's dollar.

In any case, there is no indication that the breadwinner will change his opinion that he can best gain security and protection for his family through accumulating as much "fixed dollar" savings as possible. This would seem to support the view that the rank and file of breadwinners cannot be expected to show much of a direct interest in securities until they have first satisfied themselves that they have sufficient savings in liquid form. Indirectly, of course, the saver has a very great stake, indeed, in the securities markets though he may not be aware of it, as the funds which he places in insurance, savings banks and similar depositories are immediately re-invested in mortgages, bonds of all types and, to a growing extent, in preferred and common stocks. For this reason the gigantic increase in savings is of the utmost consequence to the stability of our investment markets.

A PROBLEM FOR THE TREASURY . . . The Treasury is getting ready for a heavy financing schedule sometime in December but is confronted with a dilemma. It wants to further cut down on its short-term indebteness, now standing at over $77 billion, but it cannot do so unless it offers long-term bonds. Yet, it cannot offer long-term bonds without competing with other borrowers, included among which are states and municipalities, private industry generally and the home construction industry, in particular.

These interests are now able to borrow at advantageously low rates on a long-term basis as a result of Federal credit policies. But, as soon as the Treasury comes into the picture with an offering of long-term bonds, it must raise the rate in order to attract buyers, which of course, would undo its over-all policy of credit liberalization. For this reason, it is to be expected that the next financing of the Treasury will be on a short-term basis. About $17 billion in governments mature before the end of the year. This will have to be refunded, in addition to which, it will probably be necessary to raise new cash, possibly as much as $2.5 billion. Fortunately, there is a very large reservoir of capital available for short-term government borrowing, mainly from large institutions such as insurance companies and corporations seeking short-term revenue in preparation for meeting income tax liabilities and pending payment of future bills.

Sooner or later the government will be compelled to grapple with the fundamental problem of the unbalanced debt structure but it is obviously unprepared to do so at this time. We should, therefore, resign ourself to a further long delay before the government's short-term debt can be reduced in volume.

THE ELECTIONS . . . Within a few days, the elections will be over and the nation will be able to settle back to more or less normal. So that our readers may obtain a first-hand picture of the probable consequences, economically as well as politically, we have asked our Washington correspondent, who is very close to the political scene, to give us the benefit of his impressions. This will appear in the form of a special article in the next issue.

As I See It!

By JOHN CORDELLI

PEACE—THE PRESIDENT'S GOAL

In a moving address at the ceremonies commemorating the American Jewish Tercentenary, President Eisenhower stated that the cornerstone of American policy is the pursuit of peace. Taking deep satisfaction from the fact that "for the first time in twenty years there has been for some months no active battlefield anywhere in the world;" he expresses the hope which is in the hearts of men everywhere that the day may come when the calamity of war will be no more.

The President again proves himself a master psychologist for he gives the people the assurance which comes from a deep moral conviction and which the peoples of the world so desperately need. For it is people who make nations and if the people can gain confidence that there is indeed a way to peace, the nations will make peace. His eloquent words bear repeating. "All peoples want peace. The misunderstandings that keep us apart seem to be of our own making, the making of governments and the selfishness of leaders. Basically the hearts of people seem to have a similarity wherever you find the people."

How is the goal of peace to be achieved? It is through freedom so that all men can live in security. "This is the ideal," the President asserts, "toward which our foreign policy is directed." The President is profoundly right. The example of freedom and the security which comes from freedom is contagious. It is the natural expression and aspiration of men. The regimented lives of the hundreds of millions behind the Iron Curtain, on the other hand, represents an unnatural state for men. To make it possible—outside of war—for these unfortunate human beings to find a way to freedom and security is equivalent to finding the road to world peace. To encourage—by example of fairness, economic security and decency in relations between peoples and their governments—the unhappy folk in the communist world to cast off their false leaders and the tyranical system under which they live, is the secret of finding the road to peace. That is what the President sees and what he would like the whole world to see.

The President also believes a strong free world and a strong America will, in the long run, be a matter of the greatest discouragement for the Red rulers, who will see that the strength which opposes them is too much to contend with on even terms and that, they will not require action from their peoples to force them to withdraw from their rigidly hostile position. If so, the day of deliverance from the threat of world war would be much nearer at hand. Certainly, the silent but relentless pressure exerted by a solidly entrenched free world which, after all, possesses the preponderance of power cannot be withstood indefinitely by the communist masters who already shows signs that they realize they can no longer aggress with impunity.

The President performs an enormous service for humanity in both the free and communist worlds by holding out the beacon of peace. By affirming the principles on which a just and lasting peace can rest which all men share, he simultaneously deprives the Red chiefs of the argument that America is adventuristic and warlike and proves to communist victims everywhere that freedom is within reach and that with freedom can come the peace for which they pray.

No diplomatic strategem can equal the effectiveness of the highly moral approach of the President to the great problem of securing the peace of the world so that all the peoples may benefit. Above all peoples, we in America should build our efforts towards peace on this enduring foundation. If the entire American people can show the world that we earnestly desire freedom and security for all and not for ourslves alone, the kind of peace we seek will follow.

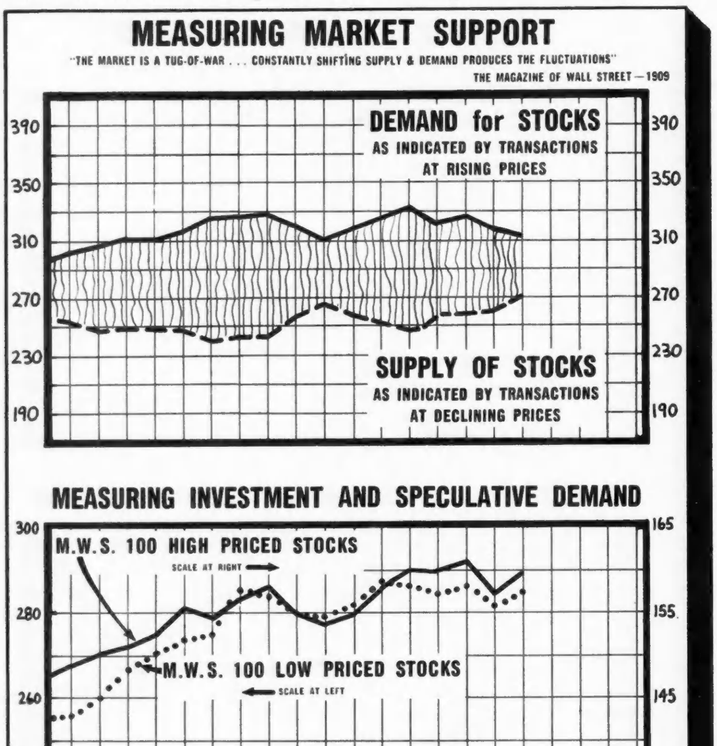
Appraisal of Current Market Strength and Weakness

The supporting and restraining factors in the market are fairly closely balanced at present, making for trading-range fluctuation in average stock prices so far in October and leaving near-term trend potentials unclear. Hold reasonable reserves. In portfolio management, continue to put major emphasis on the relative merits of individual stocks.

By A. T. MILLER

Whether measured by the Dow averages or our broad weekly index of 300 issues, the stock market's performance has been indecisive over the last fortnight, as well as thus far in October. New high attained early in the month by the Dow industrials and by our composite index extended the prior advance by little more than a hair. They were followed by a substantial sell-off, taking the senior Dow average down over 11 points between October 6 and 15. A subsequent rebound last week made up less than half of the retreat, and showed some lessening of momentum toward the end of the week.

There are several points of technical interest. The enthusiastic demand for industrials, evident during much of the summer period and through most of September, has cooled down considerably, resulting in trading-range fluctuation in recent weeks. This could amount to a digestion and consolidation of the sharp September rise. On the other hand, every such interruption raises a question about the continuity of the bull market. Bearing on it, one should note that through the first eight months or so of the rise, begun in September, 1953, reactions were few and small; but that, since June, they have become both more frequent and of wider scope.

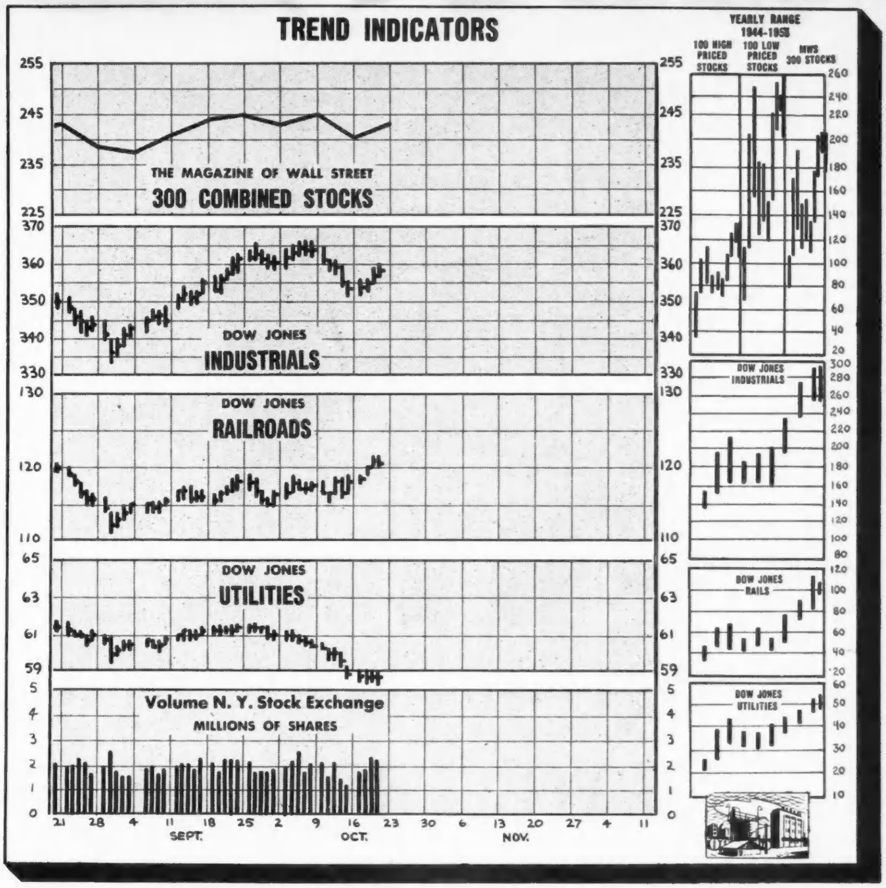


Trend Test Will Bear Watching

Because of the advanced levels of most better-grade stocks, and of the large reduction in available dividend yields over the last 13 months, investors show less willingness to reach for stocks and more willingness to take some profits in periods of strength. However, stocks remain largely in strong hands; and so far effective support has been met on every dip. In the immediate situation the industrial average will provide no clue to trend potentials until it shows ability to rise decisively above the October 6 high or until it extends the October 15 low. The latter would suggest a zig-zag retreat of at least intermediate scope. The time factor, since October 6, is already such that the duration of any more extended reaction from that high would necessarily exceed those of any of the repeated corrections in June, July and August. Moreover, it would take less than a 4-point extension of the average's October 15 low to result in a sell-off exceeding the scope of any prior one in this bull market, the largest previous one having been the late-August reaction of 14.58 points.

Another thing to note is that the Dow industrial, rail and utility averages have for some time been "out of gear" with each other and still are. Industrials went above their August high by a relatively wide margin in September; and, as heretofore noted, bettered their September high by a slight margin early this month. Throughout the September upsurge in industrials, rails and utilities lagged, both indexes remaining

under their August bull-market highs to date. However, on the October 7-15 sell-off, rails held well and last week the average rose materially through the supply level at which its recovery was halted in September, getting to within a mere one cent of its August high, before easing slightly. At the end of the week it was still hovering indecisively in the immediate vicinity of the August high. An upside break-through, regardless of debatable implications for other sections of the list, would be encouraging, and calculated to bolster speculative sentiment; with the contrary so for failure.



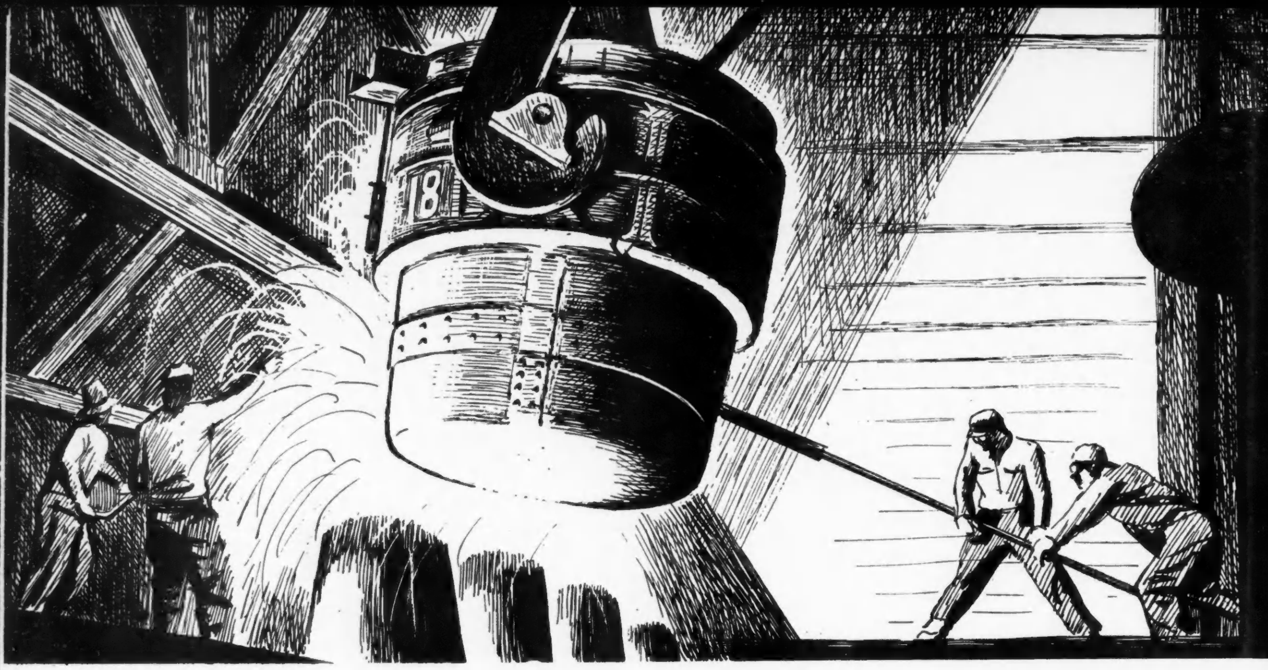
From about mid-August to late September, utilities were under the moderately adverse influence of money-market factors, the bond market having been in a recessionary phase. Subsequently a firmer bond market developed, due to the combination of a reduced schedule of corporate new financing and continuing official emphasis on maintaining easy-money conditions. Nevertheless, the normally sluggish utility average sagged by an unusually wide 3 points or so from its late-September rally high to last week's low, extending its prior-reaction low of late August.

This is clearly a "political matter," some nervous investors having either lightened holdings of utilities, or lowered or withdrawn bids, on the theory that expected Democratic gains in the Congressional elections would be adverse to the private power industry. If not far-fetched, these fears at least appear exaggerated; and, perhaps on calmer second thought, pressure on the stocks began to lessen in recent days. It should not be necessary to point out that the industry survived, and even prospered, under some 20 years of the New Deal and the Fair Deal, despite development of a limited number of Federal hydro-electric projects. No mushrooming of the latter is foreseeable, regardless of whether Congress goes Democratic. The break-up of the non-integrated holding companies has been almost fully accomplished, and has been beneficial to investors. The trend of utility earnings and dividends is still upward. The industry's plans for further large-scale expansion in nearby years are unchanged.

Some Pros and Cons

Being widely expected, Republican election losses should not significantly unsettle the general market. On the other hand, an outcome better than is now expected would be a favorable surprise. The basic restrictive factor on the market is simply the fact of advanced stock prices and lower yields. Yet the position is not extreme, when average price-earnings ratios and yields are compared with those at past bull-market tops. Thus, there is statistical leeway for some more advance, given a renewed strengthening of confidence. There has been relatively little general and indiscriminating speculation, as indicated by moderate share turnover, low margin position, and the continuing laggard performance of most cats and dogs. Investment and speculative demand—difficult to divide, since most people buy stocks more for gain than income—has remained selective and discriminating. The business outlook is now moderately favorable; and we find most private and Government economists, and company managements, thinking in terms of 1955 being at least a "slightly better" year than 1954. That psychology is on the supporting side, whether or not it can give the market much fresh impetus. There is still plenty of institutional and other cash searching for worthwhile employment in stocks, no apparent basis for a general move out of stocks.

The number of individual stocks able to push ahead to new highs continues greatly to exceed the number showing exceptional softness. Among the stronger groups last week were steels, rails, aircraft, motors, air lines, radio-TV issues and tires. There are still profit opportunities for canny buyers, still an ample number of sound income stocks yielding 5% or more. Continue to hold reasonable reserves; to buy, hold or sell stocks on individual merit; and to avoid too much emphasis on what "the averages" are doing.—Monday, October 25.



3rd Quarter Earnings— A Significant Key This Year To Company Prospects

By WARD GATES

Third quarter corporate profit statements are of more than ordinary significance this year for two reasons: first, because they show how the various companies fared during what will probably be the slowest sales period for the year. This, of course, is of great importance to investors who want to know how the performance of their companies in a critical period compares with that of companies in similar fields, operating under more or less identical conditions. Second, they are of importance, because they offer a particularly strong clue as to the companys' earnings outlook for the fourth quarter and, more likely than not, the first quarter of 1955, as well; under business and industrial conditions now in prospect.

Before attempting to appraise the meaning of the third quarter reports which are now being released, it would be desirable to obtain a precise picture of their background, as revealed in the first half year earnings statements which preceded them. In this period, the underlying earnings situation was considerably distorted owing to the special effect of lower corporate taxes—particularly the disappearance of the excess profits tax—on net income. As against a background of approximately a decline of 10% in sales, it was nevertheless possible for overall income to rise 2% over the first half of 1953, an admittedly highly prosperous period. This gave an impression of sustained prosperity for companies reporting higher earnings but the fact is that many of them had less business and less gross profits. What saved the situation was the drop in tax liabilities. This is best appreciated from the fact that corporate income taxes declined by 25% but gross income before taxes declined only 18%. The difference between the two figures accounts for the gain in net income.

It is apparent that the effect of the general sales drop in practically all industries, so far as net income is concerned, was heavily cushioned by the high corporate tax. It is probably true that almost three-fourths of the decline in corporate gross profits was absorbed by tax reduction, thus offsetting the decline in sales.

This was the general picture for the first half of the year. However, when a closer look is taken, it appears that a considerable number of companies were unable to maintain net profits on the scale of 1953, even with the aid of tax savings. The National City Bank study of corporate earnings for the first half of 1954 reveals that for 457 manufacturers sales declined $3 billion. The companies were able to offset

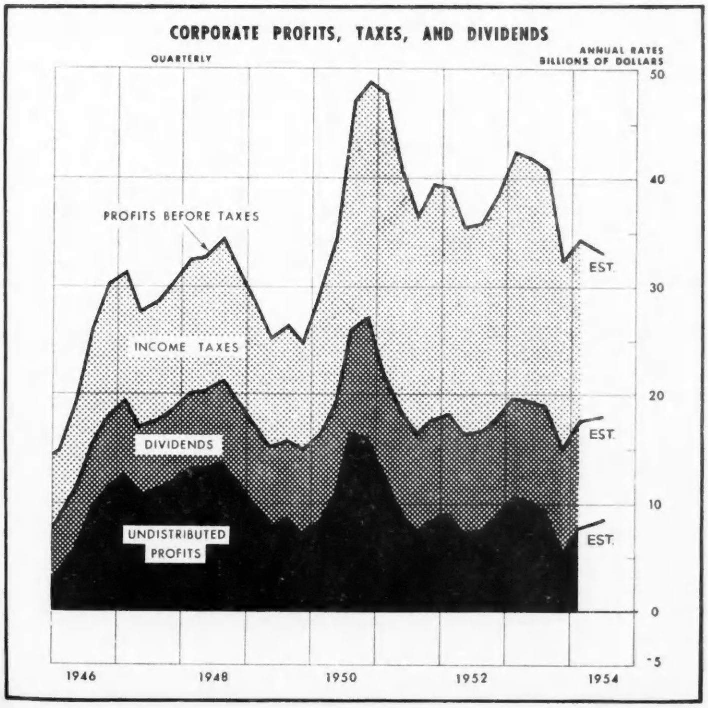
this loss by only a $1.7 billion reduction in operating costs. Obviously, something had to happen to the pre-tax margin (which is the ratio of pre-tax earnings to sales) and, in fact, a decline in operating margin from 15.6% to 13.6% was registered. However, the drop of $1.5 billion in taxes saved the day so that for the 457 companies there was a composite net gain in profits over the first half of 1953 of $182 million. The figure shrinks in significance, however, when it is realized that $62 million of this sum was accounted for by one company alone, that is to say, General Motors. The rest shared the remainder of the profit gain.

Three Elements in Earnings

Three factors stand out in the analysis of first half earnings: lower sales; a drop in operating costs but not sufficient to counteract the drop in sales; and federal tax savings, slightly more than sufficient to produce an increase in net income.

With this background in mind, we now turn to the third quarter. On the basis of returns at hand, it appears that the total result for the period is not likely to vary substantially from the second quarter. This is particularly true as indicated by a comparison between third and second quarter results. We are speaking of totals now: the same does not apply precisely to individual industries, as operating conditions in these industries have varied widely. Steel operations, for example, in the third quarter were substantially below those of the preceding period and the automobile industry encountered an exceedingly difficult set of conditions. There were also some reaction, on a minor scale, in petroleum, chemical, and tire & rubber, to mention some important industries. On the other hand, the aircraft and electrical equipment industries stood out, both with respect to sales and net income.

Naturally, earnings varied considerably in the above mentioned industries, as well as others. For example, the current upturn in steel came too late to affect third quarter earnings. The Republic Steel statement illustrates this situation. The company operated at only 61.4% during the quarter, as compared with 93.4% in the corresponding period of 1953. This



Estimate of 1954 Earnings
LEADING INDUSTRIAL COMPANIES

	Estimated Per Share 1954	Earned Per Share 1953
AIRCRAFT:		
Boeing Airplane	$10.00	$ 6.26
Douglas Aircraft	14.00	7.73
AUTOS:		
Chrysler	2.50	8.59
General Motors	8.25	6.69
CHEMICALS:		
Allied Chem. & Dye	5.25	5.10
Union Carbide & Carbon	3.25	3.55
CONSTRUCTION:		
Johns-Manville	5.50	6.20
U. S. Gypsum	17.00	11.88
COPPER:		
Kennecott	6.75	8.20
Phelps Dodge	3.75	4.02
ELECTRICAL EQUIPMENT:		
General Electric	2.25	1.92
Westinghouse	5.25	4.53
PETROLEUM:		
Standard Oil N. J.	9.75	9.13
Phillips Pete	5.25	5.25
RUBBER:		
Goodyear	10.00	10.28
Goodrich (B. F.)	8.50	8.16
STEEL:		
U. S. Steel	6.25	7.54
Bethlehem Steel	10.50	13.30
TOBACCO:		
American Tobacco	6.00	5.90
Lorillard (P.)	2.50	2.28
MISCELLANEOUS		
Allis Chalmers	$ 7.00	$ 6.58
American Airlines	1.50	1.86
American Can	2.75	2.56
Bridgeport Brass	4.25	4.43
Continental Can	5.50	4.29
Eastman Kodak	3.25	2.86
Electric Auto-Lite	2.00	6.73
International Bus. Mach.	11.50	8.33
International Harvester	2.00	3.46
International Paper	6.00	6.44
Merck & Co.	1.00	.96
Owens-Illinois Glass	6.75	5.32
Pfizer (Chas.)	3.00	2.74
Radio Corp. of America	2.50	2.27
Reynolds Metals	10.50	10.15
Scott Paper	2.25	1.80
Smith (A. O.)	5.25	5.11
Stevens (J. P.) & Co.	1.50	2.35
Underwood Corp.	1.00	1.13
Westinghouse Air Brake	1.50	2.43

resulted in a decline in net income for the quarter of from $14 million to $10.3 million. With the upturn in steel operations, it is now likely that Republic Steel will better its third quarter showing by a good margin. The same outlook applies to the larger steel companies generally. If the automobile business going to steel should pick up during the next few months, as anticipated, the outlook for improved steel earnings will be further enhanced.

Under modern conditions, especially those which have developed in the past few years, it has become more difficult to appraise "real" as against stated earnings. More consideration must now be given to charges for accelerated depreciation, as well as normal depreciation. In this way, it is possible to make a distinction between "cash" earnings and what may now be called, for want of a better word, "nominal" earnings. This is well illustrated in the Republic Steel report. Thus, combined accelerated depreciation and normal depreciation for 1953 amounted to $6.22 a share, giving "cash" earnings of $15.50 a share, against $9.25 a share actually reported. Combined charges for U. S. Steel were $9.95, making "cash" earnings about $17.50 a share instead of the $7.54 a share reported for 1953. Similar high charge-offs for accelerated and normal depreciation are reported for other leading steel companies. The subject is of high importance since dividends depend as much on cash earnings as on those stated.

For the final half of the year, depreciation charge-offs will have even greater importance owing to the more favorable treatment allowed under the new tax bill. Substantially, corporations will be able to charge-off two-thirds of the cost of an asset in one half its life, as against half the cost, under the old law. This, of course, will result in making earnings *look* somewhat lower than they actually are but will raise "cash" earnings. The investor must now become more aware of the distinction. Obviously, the factor of charge-offs has importance as related to dividends, since large cash earnings offer a strong foundation for payments to stockholders.

EPT and Earnings

Returning to the effect of the disappearance of the excess profits tax on corporate earnings, a rather remarkable example is furnished by the General Electric statement for the third quarter. Sales for the period were $720 million, approximately, against $780 million for the corresponding period last year. Nevertheless, despite the $60 million sales drop, net income rose to $46.8 million from nearly $41 million, the entire difference due to savings from the lapse of excess profits tax. In 1953, the company paid almost $1.15 a share (adjusted for the 3-for-1 split) on EPT. Estimating what EPT would have cost the company in the third quarter, had that tax still been in effect, savings were probably in the neighborhood of 20 cents a share. The company actually showed a profit of 54 cents a share on the common, compared with 47 cents a share (adjusted) in the corresponding period of 1953. These facts are emphasized in order to show the importance of the EPT factor.

Conversely, where EPT played little part, there was no cushioning effect on earnings. This is indicated in the Monsanto Chemical statement for the third quarter. Sales were about on a par with those of the same period, 1953, at approximately $83 million. Had there been a (*Please turn to page* 171)

Quarterly Comparison of Sales, Profit Margins and Earnings

	3rd Quarter 1954			2nd Quarter 1954			1st Quarter 1954			4th Quarter 1953		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Allegheny Ludlum Steel	$ 38.6	1.4%	$ .27	$ 39.6	2.1%	$ .44	$ 45.6	2.3%	$ .58	$ 49.0	3.0%	$ .76
Avco Mfg.	78.6[2]	.2[2]	.01[2]	94.3	1.3	.13	94.6	1.7	.17	102.0	.1	.02
Case (J. I.) Co.	28.3[3]	6.4[3]	.73[3]	27.9	3.0	.30	13.1	d28.5	d 1.73	26.0	d .01	d .07
Continental Can	189.7	4.2	2.18	157.5	3.8	1.67	127.9	2.3	.81	126.6	2.5	.84
Deere & Co.	92.7[3]	7.6[3]	.99[3]	105.9	7.6	1.13	57.9	1.8	.07	75.9	6.2	.63
Dresser Industries	31.5[3]	7.0[3]	1.68[3]	32.6	5.3	1.31	34.0	5.0	1.29	32.7	5.7	1.41
Du Pont	399.0	......	1.52	424.2	18.4	1.66	408.9	18.0	1.56	419.1	14.9	1.32
Elliott Co.	9.9[1]	......	.81[1]	9.8	4.4	.67	10.2	5.5	.92	11.2	5.3	.97
General Electric	719.8	6.5	.54	732.0	6.2	.53	715.5	6.8	.56	787.0	6.2	.58
General Portland Cement	9.0	22.1	1.91	8.3	20.9	1.67	7.4	17.6	1.32	7.2	20.1	1.40
Granite City Steel	16.1	6.5	.57	16.9	4.7	.41	16.4	4.5	.38	18.3	5.5	.45
Hercules Powder	....	......	1.31	48.5	7.8	1.37	43.5	7.7	1.21	43.3	4.7	.71
Hussmann Refrigerator	8.1	5.5	.69	6.9	6.0	.64	6.1	5.8	.54	6.0	7.4	1.04
Industrial Rayon	14.4	8.2	.64	16.8	11.3	1.03	16.9	11.1	1.07	15.1	14.3	1.17
Monsanto Chemical	83.1	6.0	.92	86.7	6.9	1.11	83.3	6.5	1.01	82.5	8.1	1.25
Republic Steel	195.6	5.2	1.57	218.1	6.3	2.23	214.4	5.1	1.79	242.3	5.8	2.28
Rockwell Spring & Axle	53.6	4.0	.47	66.5	4.5	.66	68.0	3.9	.59	76.3	4.3	.72

d—Deficit.
[1]—Estimated.
[2]—9 mos. ended August 31.
[3]—9 mos. ended July 31.

Labor's Move For Political Dominance

By W. R. HOLMES

Having learned through a century of bitter failures that the entrance marked LABOR does not lead to effectual government control, the bosses of the organized workers now are clamoring more insistently than ever at an entrance marked POLITICS. With far more adroitness than was exercised in earlier years, they are striving to create at least a third force on the American political scene and at hoped-for best a permanent domination of the councils of the Nation!

In furtherance of this deep-seated plan, the unions are now laying the groundwork for an amalgamation between the AF of L and the CIO. This has been hatching for a long time but now looks like a real possibility within a year or so. With their 14 million members, this will offer a formidable nucleus to the new political element in the making. One can well imagine the impact on the American political scene when the leadership of this giant union commences to exert pressure on the politicians. Nor have the union leaders waited. Already, they are making demands for a 35-hour week.

Were it not for the circumstances that the rank and file of the American labor force are composed of highly individualistic citizens who, among other passions, harbor a dislike for regimentation from above, there might appear good reason for predicting an early realization of the ambitions of the leaders, for some of the best brains in the country are being used by the high commands of the great labor organizations. Hazardous as any political predictions are, it seems safe to say that the time is not very far off. Although there has been an ebb from the high tide of labor power since the disappearance from the scene of the organized unions' patron saint, Franklin Roosevelt and his successor and torch-bearer, Harry Truman, the unions are waiting for a new tide to set in.

It would be folly to fail to recognize that far more skilful work is being done by the labor forces today than in the New-Fair Deal days – than ever during the long Roosevelt-Truman reign. The unions rose to enormous power in that period but, despite the efforts being made it seems questionable that any way can be made right now against the ebb tide. It is equally unquestionable that every preparation is being made for a turn when, conceivably a new tide, taken at the flood might lead on to fortune!

This ambition on the part of Labor to control politics is of long standing. As early as 1828 the Workingmen's Party, formed in Philadelphia, entered politics and sought to dictate elections. It only lasted four years. But the Noble Order of the Knights of Labor, founded at Philadelphia in 1869 fared much farther. It achieved a membership of 702,000, a substantial number of voters for that period but by 1896 it, too, was practically extinct.

Always the difficulty was that workers would not vote as a bloc; there was no such thing as a labor vote. True enough, the individual voters doubtless selected candidates they thought most likely to bring about the labor and other reforms in which they

Some Union Head Salaries

In addition generous expense accounts are allowed union officers, in some cases without accounting

Dave Beck, Teamsters	President	$50,000
George Meany, American Fed. of Labor	President	$40,000
David J. MacDonald, United Steelworkers	President	$40,000
Jos. V. Moreschi, Hod Carriers	President	$30,000
M. A. Hutcheson, Carpenters & Joiners	President	$30,000
Harry C. Bates, Bricklayers, Masons, Plast.	President	$30,000
John L. Lewis, United Mineworkers	President	$25,000
Martin P. Durkin, Plumbers & Pipefitters	President	$20,000
C. J. MacGowan, Boilermakers, Shipworkers	President	$20,000
James C. Petrillo, Musicians	President	$20,000
Walter Reuther, Auto, Aircraft Workers*	President	$18,000
J. S. Potofsky, Clothing Workers of Amer.	President	$15,000

*—Walter Reuther receives no salary as President of the CIO but expenses are paid.

believed but they selected them as Republicans or Democrats or Populists or under established party banners. The inevitable result was the same broad divisions as between the major parties with a conspicuous absence of any concentration of what could be identified as a labor vote.

A curious and now long rejected footnote to the history of labor in American politics is that probably the greatest of all American labor leaders, Samuel Gompers, founder and for half a century head of the American Federation of Labor, gave it as his perennial advice to labor to keep out of politics. Labor, he held, should lobby, argue, demand and bargain for higher wages and better working conditions before the proper tribunals and in the proper places but it must recoil from becoming involved in partisan politics. To some extent that advice was followed until the roseate dawn of the Roosevelt era. With the spreading of the warming beams of that sunrise came an era in which the terms labor and politics were spelled identically!

Availing themselves of the practice of earlier labor voters to vote for their own men, regardless of party, as a guiding precept, the two major labor groups, the American Federation of Labor and the Congress of Industrial Organizations, have for some years been seeking to infiltrate, to bring their pressures to bear within the ranks of the two major political parties. This is the fulcrum with which they hope to continue to raise wages and lower hours.

The politician, the Washington correspondent and, above all, the business man who does not follow the labor press in the United States, overlooks an important view into the workings of the labor world. The two broad groups have their own publications, each of the principal international unions has its magazine and the State and lesser organizations and even some locals have their papers. In the aggregate, these labor papers achieve a circulation running far into the millions. Of importance is the fact that these papers are well and cleverly edited. They are read, doubtless, by many union members for news of their own affairs but, also because they are interesting.

To be sure, the labor press must be read with full recognition of the interpretation given every piece of news printed; what in the parlance of the newspaper world is called the slant. Inevitably, every item is given the labor slant and while it may be the same basic item of news which is printed, the versions in the conservative press and, for example, The Machinist will be so different as to the uninitiated, to seem well-nigh unrecognizable.

Each of the major general groups has its own propaganda organization, devoted to gathering material for its own and the general press. The American Federation of Labor has its Labor's League for Political Education. The CIO instrument is its Political Action Committee. While both receive what support they may need from the general funds, each has its own fund with special contributions constantly sought. For example, scarcely a piece of CIO literature issues without, here and there appearing in conspicuous type, the cry Give a Buck to PAC! While affiliated union members receive the union papers as a privilege of membership, each paper has an outside circulation at regular subscription rates.

Political News in Labor Press

Reference also should be made to The Public Affairs Institute. This is a research organization under labor sponsorship which makes studies of economic situations and, here again, always with the labor slant. The greatest care is observed to present correct statistics but the avenues for labor interpretation are plainly marked. Incidentally, it should be emphasized that the labor press does not carry advertising. Doubtless, every labor paper could command a large volume of advertising not only because of wide, proven circulation but, conceivably, by the application of various pressures. Yet no paid advertising appears.

Now the manner in which these labor paper present their political news is of deep interest. Headlines, of course, are written with the strong labor slant and what is called the "playing" of news is dictated by labor politics; that is, the emphasis given this item or that; this political statement in contrast to another. And meanwhile, each paper has its editorial column, usually well written, often written with scholarship but never, for an instant, relaxing the labor slant!

After every vote in either house of Congress on a measure of interest to labor, the roll calls are printed, showing how each Member voted. The Labor press has its own way of presenting these lines. Where the metropolitan daily press would list the vote in columns For or Against or with those indication opposite each Member's name, the Labor press uses only the symbols R and W. These mean right and wrong. It has ceased to be a matter of interest to the Labor press and, in the opinion of its editors, to know anything about how a Member of either House voted save whether it was right or wrong *from the labor point of view!* No such thing as abstract right or wrong exists; only the right or wrong as a labor man or union is affected. The R's and W's cross party lines constantly. They pursue the Member into both parties and pillory him in the labor press as being Right or Wrong in the eyes of labor!

Thus, conceivably, could that third political force be built up, not as a third party in the old political sense of the Bull Moose Party or the old Populist Party but a bridging party operating within the spheres of the others!

Every trick known to newspaper make-up men is employed in the Labor press. For example, if it develops at a Congressional hearing that some corporation executive draws a tremendous salary or receives a bonus or if seasonal corporation reports show that stated profits have been realized, the story

will be printed but in close proximity to a picture of a city slum or a distressed unemployed family on relief or similar tearful sight, usually accompanied by a description of the princely manner of life of the corporation executive in contrast to the beggary of the worker! This is what in the theatre is called ham, but it works in the same manner in the press, especially the labor press!

Pictures are always used to the best advantage, always tending to emphasize what labor is doing and can do to enhance its domination of the political world. Let us take as an opposite example the October 15 issue of the AFL News-Reporter, the excellently edited weekly of the American Federation of Labor. A photograph is printed showing the likenesses of two labor leaders. The top caption reads 'Agree on Candidate.' Beneath the picture it says: "William J. McSorley (right) assistant national director of Labor's League for Political Education, and Frank X. Martel, president, Detroit and Wayne County Federation of Labor, agree that Patrick V. McNamara should be elected to represent Michigan in the U. S. Senate. Both pointed out that Sen. Homer Ferguson had an almost 'all-wrong' voting record."

Getting into the Campaign

Another interesting use of the labor press in connection with political campaigns is the practice of some labor papers in printing of photographs of candidates under the caption "The Kind Of Men to Elect" or with even more direct urgency. It might be considered that constructive libel would be involved in printing the names and pictures of men not to elect but the reader never is left in doubt.

The CIO News of October 18 is quite direct in printing a list of ten contests in Congressional Districts in Wisconsin. The whole country, of course, is covered in similar fashion. Here the contrast is shown with complete directness with the CIO recommendation clear. Sample paragraphs read: "First District—Edward A. Krenzke (D), vigorous Racine County district attorney, over incumbent Rep. Smith (Rep.) with a zero labor record. Third District—Joseph Seep (D) who favored improved unemployment compensation 'as a bulwark against depression and layoffs' over Rep. Withrow (R)."

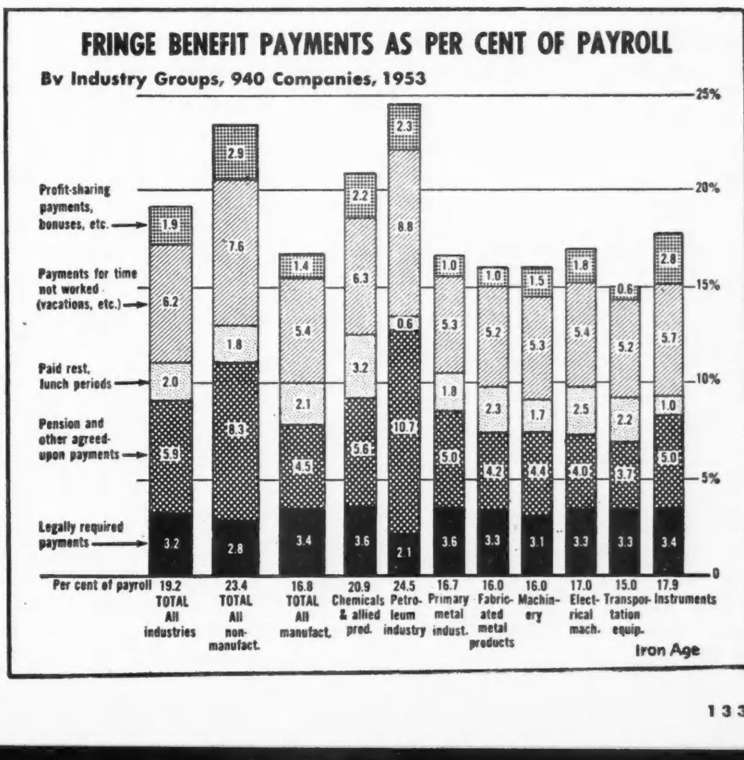
The United Steelworkers of America CIO recently held its annual convention at Atlantic City with some three thousand delegates in attendance. It was typical of most large union conventions. It is not inaccurate to say that national politics rather than immediate union labor affairs appeared to dominate the meeting. A program was drawn up which was chiefly political objectives although, of course, dealing with the political issues in which labor is especially concerned. To emphasize the mounting concern of organized labor with general politics it might be said that a visitor from a distant land might be in doubt as to whether this were a meeting of labor delegates or of political delegates to a party convention.

Organized labor in general but more especially the CIO has been increasingly seeking to make common cause with farmers with particular emphasis on farm workers. Long strides have been made in the Pacific Northwest with some measure of success in sections scattered all over the country. John L. Lewis' District 50 of the United Mine Workers for some years has been organizing dairy farmers but with something less than complete success.

A news story in the CIO from its own special correspondent indicates how the relatively new political methods are being used. It reads: "Wisconsin farmers from all parts of the State gathered last week at Manawa for their annual plowing contest. Despite pouring rain and ankle-deep mud, some 5000 turned out—and with them came CIO representatives, passing out literature."

Later in the same news story it is stated: "In Wisconsin where farm voters exert a strong political pressure, this trend to farm-labor solidarity is being viewed with alarm in Republican circles for it stems from the lively PAC (Political Action Committee) organizations in each of the ten Congressional Districts."

No, the reader of the Labor press can never be in doubt as to what is meant, who is being supported and why. To the millions of unorganized workers it might occur that the leaders who are seeking an inside control of Congress, of State Legislature and of practically all other ruling instrumentalities and to the millions of annuitants, professional people and the like that their interests are wholly ignored. The theory expounded is that government should be for Labor. The October 14 issue of The Machinist, under a picture of Senator James E. Murray of Montana, running for re-election as a Democrat, says of him: "Leading liberal, former Chairman of Senate Labor Committee. Opposed by Rep. Wesley D'Ewart (R) whose voting record in (*Please turn to page* 174)



What is Causing the New Excitement in Gold?

By VIRGIL HARPER

Though the general public is unaware of it, the fierce struggle between ardent advocates of the resumption of the gold standard and those who oppose it bitterly is going on in the highest circles with no holds barred. In the last session of Congress, bills were actually introduced which would have the effect of returning the nation to a gold standard basis, thus making currency again redeemable into gold.

In 1933, during the banking holiday, redemption of currency was forbidden under emergency legislation and has remained forbidden since that time. During that period, it has been a crime even to own gold coin. During all of this period, there has been a relentless fight to restore the gold standard. Now it is reaching a crest, judged by the extensive argumentation in Senate hearings. The exciting possibility of a restoration of the gold standard naturally deserves close attention.

On one side of the argument is the government, headed by Treasury and central bank officials. On the other, are the traditionalists—those who can conceive of no currency as being sound unless it is freely convertible into gold; the hoarders; speculators in gold, and some foreign governments, who are more or less interested in gold production. Among the latter is the Soviet government for reasons that will be given later.

To understand the issues and why they have such significance to this country and many others, it would be useful to hear the arguments by those in favor of restoration of the gold standard at this time, and those who oppose.

The Argument in Favor

Those who claim important advantages for a return to the gold standard cite as their chief argument that it will help preserve confidence in the dollar, maintain stability in prices and help iron out swings in the business cycle, preventing both boom and depression. The opponents of this theory offer rebuttal in the obvious evidence that the gold standard in effect in this country before 1933, neither prevented the false boom of 1928-29 nor the ensuing depression in 1930-1933.

In favor of the argument for the gold standard, proponents say that this would limit or inhibit unsound government fiscal and banking practices, as the movement of gold would automatically tend to regulate the actions of responsible authorities and thus make government financial policy less subject to the arbitrary decisions of a relatively few men. Opponents of this viewpoint state that there are many historic examples where the gold standard has not prevented widespread speculation and other unsound use of credit. They again point to 1929 as an instance of the fallacy of the argument that the gold standard is a preventative of fiscal evil.

Chief among the arguments used by advocates of the gold standard is the oft-expressed belief that it offers a firmer base to long-term contracts and gives greater assurance to holders of life insurance policies, savings bank deposits, government bonds and the like as to the longer-range value of their investments. Those who oppose this viewpoint state that they agree, theoretically, that a nation operating under the gold standard should have a more stable price level over the long-term and that, therefore, buying power should remain more or less constant. However, they point to the obvious fact that this would require a long period of peace and economic tranquility and that in the kind of a world we have been living in for the past 25 years, with violent upheavals that have affected practically every part of the globe, it is unrealistic to think that a gold standard could have saved any nation from the consequences of war destruction and economic devastation.

They point to Switzerland as the exception that proves the rule; which, in this case, is that all governments must act arbitrarily in time of acute danger, particularly with respect to their control of money and credit, the lever by which the national price structure is kept intact. It is significant that

not one of the countries caught up in World War II was able to remain on the gold standard, as a result of the enormous financial pressures created, though some maintain free "internal" markets for gold. In their estimation, obviously, it was unsafe to rely on the gold standard in a time of emergency. One of the things they had to guard against by permitting a thoroughly unrestricted free gold market affecting exports and imports of gold was the immense increase in hoarding that would have occurred. One can easily imagine the consequences if millions of frightened people throughout the world, in panic, had attempted to secure safety by buying gold in exchange for their currencies.

In one respect, advocates of a return to the gold standard in this country have an argument that possesses considerable appeal. Under existing regulations, American citizens cannot obtain gold—unless used for industrial purposes. Yet, foreign governments and central banks abroad have no difficulty in obtaining our gold in exchange for dollars. This is a form of discrimination that is found objectionable by many Americans and is one of the potent weapons in the hands of those pressing for new legislation on gold. The answer, of course, is that these gold transactions are on an inter-governmental basis and that it is in the interest of promoting economic stability among the free nations of the world our government permits them to convert their holdings of dollars into gold.

The Argument Against

The chief spokesmen for the argument against resumption of the gold standard in the United States are the responsible officials of the Treasury and the Federal Reserve system. In the words of W. Randolph Burgess, deputy to the Secretary of the Treasury, the basic policy of the United States government with respect to gold is: "... to protect our gold reserves, which support the value of money and can be used to settle international balances. The United States holds $22 billion of gold out of the world's monetary stock of gold of $36 billion. This huge stock of gold is a bulwark for confidence in the value of currency. In a world of great uncertainties, it is one of the anchors of value on which business transactions depend."

In this sentence is expressed the difference in philosophy between the two camps on opposing sides of the gold question. Those in favor of convertibility of currency into gold believe in the classic theory that it is capable of maintaining economic equilibrium. Those who are opposed agree with the theory, for the most part, but are unwilling to risk a demonstration of its effectiveness in a still unsettled world.

Essentially, the Treasury takes the position that convertibility into gold may be desirable but at some future time. They believe relinquishment of controls at this time would be premature. The argument is a cogent one. As long as people feel insecure, it probably would be risky to let down the bars. One of the immediate consequences to which the Treasury constantly points is that resumption of payment of gold specie would expose the American gold hoard, not only to an enormous scaling-down through purchases by American citizens seeking safety but to raiding by foreign nationals. For example, due to various new foreign regulations which in very

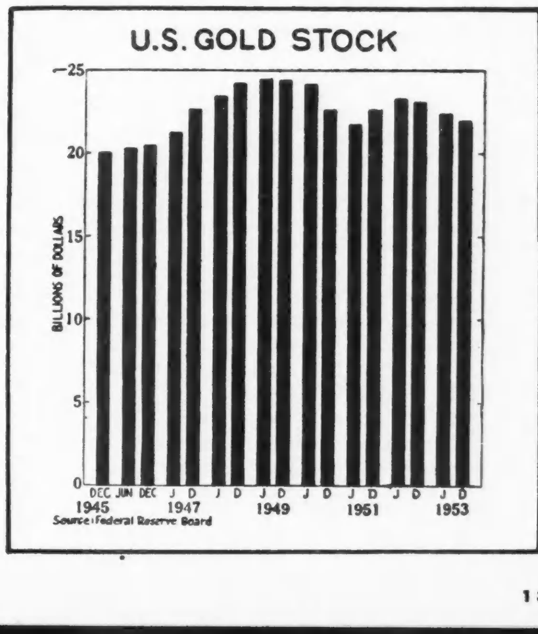
U. S. Gold Reserve vs. Requirements and Potential Claims 1922-53

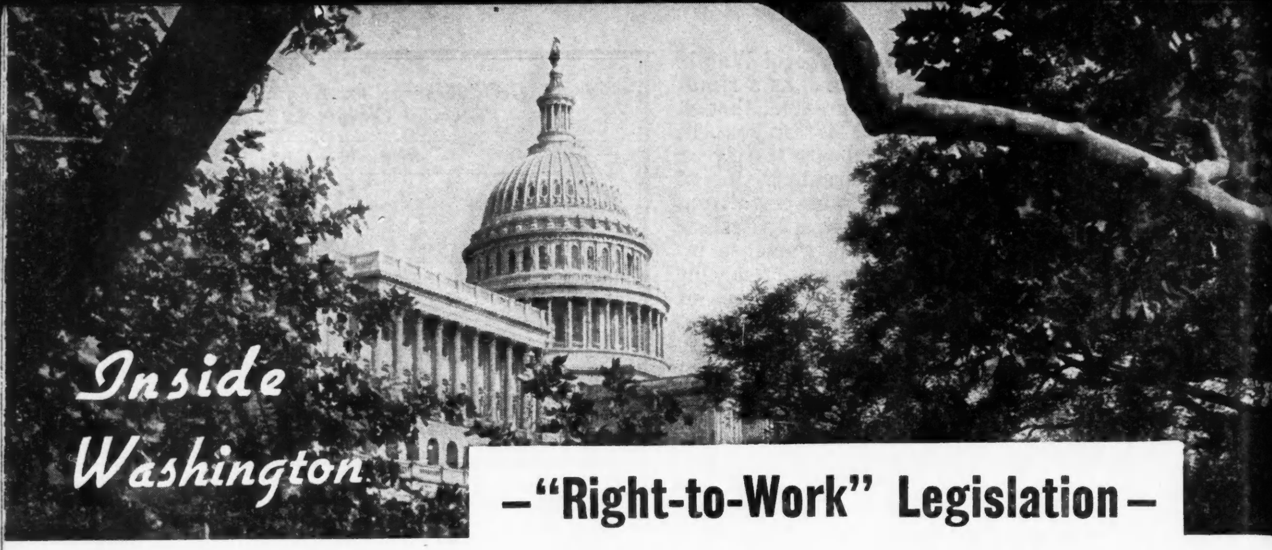
(In Millions of Dollars)

End of Year	U.S. Gold Reserves	(A) U.S. Required Gold Reserves	(B) Foreign Short-Term Dollar Balances	Total of A and B
1946	20,706	10,731	6,481	17,212
1947	22,868	11,294	7,135	18,429
1948	24,399	11,894	7,756	19,650
1949	24,563	10,753	7,623	18,376
1950	22,820	11,005	9,222	20,227
1951	22,873	11,720	9,302	21,022
1952	23,252	12,055	10,731	22,786
1953	22,090	12,151	11,771	23,922
1954, May 31	21,973	11,850	12,237	24,087

recent years have been relaxed, the risk to the American gold stock has been greatly increased. For example, Switzerland now has a truly free market in gold. Italians may import gold coins into their country. Markets in localities such as Tangier, Hong-Kong, Beirut, and Bangkok, while they have fluctuated in volume of transactions according to the demand for the metal, have enormous potentials for the transfer of gold out of this country to points around the globe. The great wealth in middle East countries due to the exploitations of their oil resources, has in recent years greatly stimulated the demand for gold in that region among the wealthy classes.

While the demand for gold in the middle East continues relatively large, there has been a notable abatement in the world demand for gold from private sources. This has been due to the restoration of somewhat greater confidence in national currencies, especially in Western Europe, which obviously have reached a degree of stability unknown since the end of World War II. As the world moves into a period of even greater economic stability, the governments concerned can be counted on to do nothing which might send their economies into a tailspin again after years of struggling to achieve a balance. For this reason, (*Please turn to page* 174)





Inside Washington

—"Right-to-Work" Legislation—

By "VERITAS"

DISAGREEMENT is found in the economic reports submitted by the National Retail Federation and one of its biggest affiliates, the National Retail Dry Goods Association. The Federation was granted a Denver audience to tell Ike retail business is 'way up. But the Association takes issue, on the basis of analysis showing 216 stores with aggregate sales of $1.4 billion suffered a drop of 2 per cent in sales and transactions for the first half of the year. But the report agrees, stores selling over $50 annually did 2 per cent better. And the findings show a net profit after taxes of .7 per cent against 1.2 per cent for the same months last year.

HURRICANES of mail have been registering direct hits on the U. S. Weather Bureau and the Department of Agriculture. As a result, a more comprehensive forecast service will come into existence, centered on a weekly bulletin. Features will include a 30-day forecast and a summary of rain and drought conditions, together with an analysis of what the effect of similar conditions has been in other years. The service can do little more than afford a hint of what's ahead—but that is more than has been available in the past.

RIGHT-TO-WORK legislation has been received with growing favor in state legislatures and with more than one-half the state assemblies scheduled to begin new sessions within the next two months, organized labor is girding for what it fears will be an attempted sweep of states which have already passed such laws. The statutes which offend the unions are those which strike down one or all of the following: closed shop, union shop, maintenance of union membership. Only one state had such legislation prior to enactment of the Taft-Hartley Act in 1947. Eleven more passed laws to that end in that year and now there are 17, with drafts pending as lawmakers near State Houses.

HANDBOOK of arguments which individual union members, and locals as well, are being told to place before state legislatures, is coming into existence in the form of series of messages blanketing the states in which right-to-work laws are likely to come up this year. In substance, the arguments declare economic activity now is organized on an employer-employee basis, with 80 per cent of the population made up of employees who can, and should display their voting strength to end "atomizing industrial relations".

WASHINGTON SEES:

Interesting to note is the sudden drop in public attention being paid to the FHA scandals and windfall profits now that it has leveled off with general acceptance of the fact that few of those responsible for the unconscionable gains stand to lose anything. The sufferer, as usual, will be the taxpayer, with double indemnity in the case of the person who's both a renter in an affected project and a source from which Uncle Sam will get the money to wash out losses on reclaimed housing.

The congressmen and other officials who a few months ago rode forth on white chargers to avenge the wrongs are now strangely silent, becalmed. Reason is that it is clear there can be no recovery by tenants who have paid rentals based on artificial construction costs, so constituents living in the FHA-aided units no longer are pressuring their senators on personal grounds. The political values have been milked dry, and the campaign now is history.

Many of the projects have been foreclosed and title now rests in the government. Sales, naturally, will be at real value, not at the sum an FHA appraiser could get past his superiors. Suits may be entered to collect the difference but the special section of the Department of Justice, set up to do that and other things left behind in the wake of investigation, caution against being hopeful of big returns.

Perhaps the FHA study will claim a few official heads, serve as a warning. But what is more likely is that it will go down as another well-ballyhooed show that had a good run and road tour before it quietly folded.

As We Go To Press

Other methods to bring about industrial dispersal having produced little or no action toward mopping up labor surplus, and now the Office of Defense Mobilization has come up with the all-time prime inducement to act: tax relief. A revision of the tax amortization procedure to assist areas of large unemployment has been announced. The plan provides rapid amortization on a higher than normal percentage of capital investment for firms locating defense plants in any area classified by the U.S. Department of Labor as having a "substantial" labor surplus. The new policy is a liberalization of one issued last year, giving additional accelerated tax writeoff to defense plants locating in areas of "chronic" labor surplus.

Decline in volume of voluntary sales of farms and a drop in farm income during the past two years, have been contributing factors in a decrease in the amount of farm mortgage loans, the U.S. Department of Agriculture deducts from reports now being gathered. The Farm Credit Administration reports that such loans amounted to $1.18 billion during the first half of the year -- 12 per cent less than the $1.34 billion lent for the same purpose during the first half of 1953. Coming at a time of change in farm legislative outlook, the status report furnishes a starting point for comparisons which cannot be made for at least one year, or until the new farm plan has a trial.

Cumulative reports disclose national farm loan associations have increased their proportion of the total amount lent during the past two years. More than 16 per cent was supplied from this source -- more than for any similar six-month period in land bank system records going back to 1936. This amounted to $161 million, lent at 4 per cent in nine of the 12 regions. Interest rates in the other three were slightly higher because of somewhat smaller loan volumes. Other sources supplied loans during the six-month period as follows: individuals, $261 million; banks and trust companies, $262 million; insurance companies, $213 million; and miscellaneous lending agencies, including mortgage companies, $119 millions.

The National Issues Committee terms recent business activities "the era of heaviest buildup of the giant corporations since the 1920's." This signalizes another crusade, with the target marked out in this language: "Big business firms are buying smaller companies at the fastest rate in years. Government antitrust lawyers and economists are beginning to admit publicly that they're concerned." Tracing this activity, the very-liberal NIC finds that the last big merger wave was 1940-1947: involved were 2,540 independent companies valued at $5.2 billion. That, says the committee, represented 5.5 per cent of the 1943 total of all manufacturing corporations in the country. Picked up along the search are the data on business failures in 1954 (higher in number than in 1953), and an ever widening margin between large and small business houses in operation.

All this is generating revival of demands that the government take anti-monopoly steps under the Sherman Act. The National Issues Committee has scanned the record of Justice Department action in this field, labeled it negligible. Since 1950, the Federal Trade Commission has prosecuted only three cases under the anti-merger sections of the Clayton Act. In the same period, the Department of Justice closed only one merger action -- Bethlehem Steel and Youngstown Sheet and Tube. It has given "declaratory opinions" in several other merger issues.

Operations of the government in the antitrust field also is attracting the attention of the CIO legal and economic staffs. These experts see signs, they say, of intent on the part of the Eisenhower Administration to ease surveillance over

business in the same degree that policing of labor unions is increased. Cited are the recent comments by Attorney General Brownell. A New York City audience was told a few weeks ago that practical application of the antitrust laws is hampered by legal and judicial obscurities. Then the chief trust-buster gave his listeners (public relations specialists) a peek at the working papers of the committee to study antitrust laws, but only to say it will contain significant recommendations.

While every effort is being made to prevent premature disclosure of what is going into the report (caution is being sounded that all actions taken up to now are tentative) enough has come out to insure that the next congress will be asked to approve a general re-write of the anti-monopoly law. Mr. Brownell admits revisions are being fashioned "in keeping with the middle-of-the-road economic and social administration of the laws. It will provoke long and perhaps acrimonious discussion in congress, he forecasts.

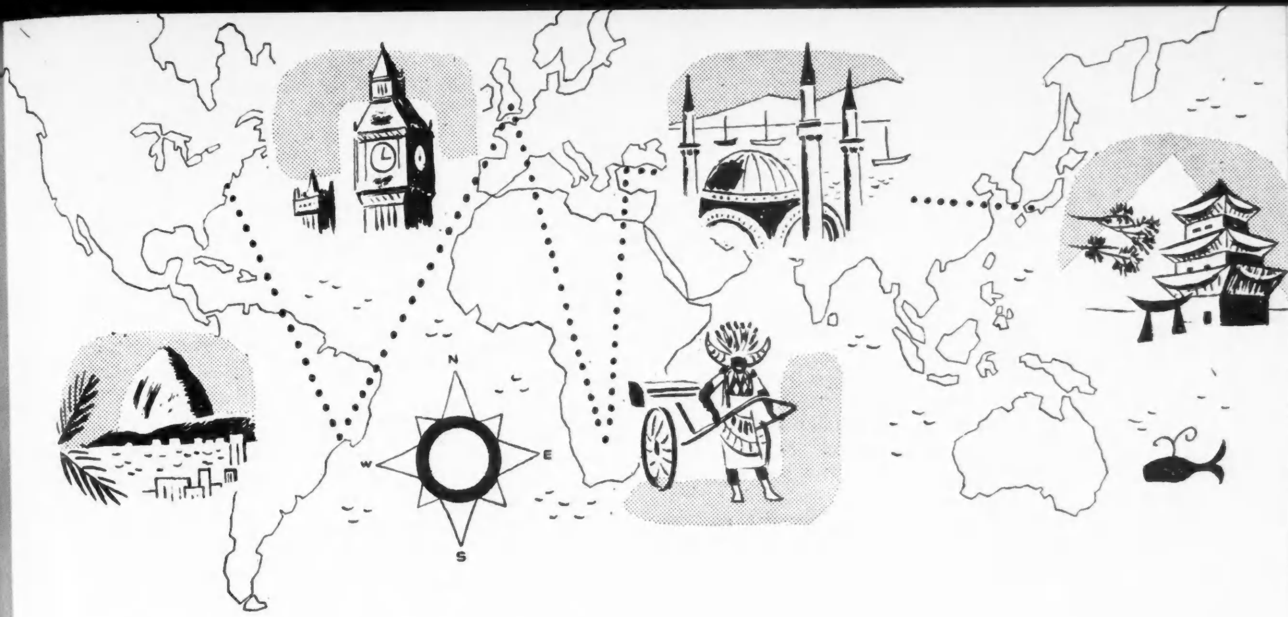
As pro and con argument over the Dixon-Yates contract builds to the climax that will arrive as congress convenes following Election Day, effort is being made to clarify the point that it does not concern atomic energy production -- merely the supply of electric power to replace TVA transmission to A-Energy installations. But private power companies are interested in the larger subject and action by a New England group of companies may help to make the now clouded distinctions clear. The times and the arguments have given added significance to the fact that 11 northeastern utilities companies have banded together to organize a corporation whose prospectus is to build and operate an atomic power plant to supply electricity for a six-state area.

Affixing a gold seal on a corporate charter is a long way from producing atomic power. But the companies have entered into their compact knowing it's a long haul, confident that this generation will see generation and distribution of power from nuclear energy, to New England homes and factories. Faith in the promises of AEC engineers and scientists underlies the investments being made. Confidence is held that the end product can be made from the new source as cheaply as it can from water or steam. And there's encouragement in the pilot project of the Duquesne Light Company -- a 60,000-kilowatt nuclear power plant, capable of meeting the needs of 100,000 nonmilitary users in the Pittsburgh area.

Extent of the opportunities is being appraised against the fact that this country's need for electricity doubles each 10 years. The world at large, because of the prospective population increase, is expected to require about five times as much power 50 years from now as it uses today. Those facts make it obvious that the conventional sources cannot keep pace for many decades, must ultimately be supplemented by the atom. It's because of them that congress directed the Atomic Energy Commission to hold out inducements to private capital to do exactly what the New England companies are doing with typical Yankee ingenuity. Even though the target is a fictitious one in the area of atomic energy debate, it may serve a worthwhile purpose by providing an outlet for steam.

Recent check of 20 of the largest consumer cooperative organizations shows that since 1945 membership has risen 160 per cent while sales have soared almost 400 per cent. There has been no significant increase in the number of units. Growth has been reflected in size of merchandising establishments and in units set up in suburban areas. The Cooperative League of the USA says this advance has not been without encountering difficulties, and it comments: "Competition from the chain stores, inexperience, inability to train and pay good salaries to competent management, and many other factors harassed them, and often still do."

Commerce Department thinks Pakistan offers both a challenge and an opportunity to United States investors and has published a book setting out its reasons. The publication coincides with arrival in this country of a number of industrial, business and economic missions to tub-thump with promises of special tax concessions and rapid depreciation allowances.



Hot Spots Around the World

By JOHN LYONS

(Important developments in different parts of the world are described by Mr. Lyons in this authoritative survey. The author is an expert on foreign affairs and his views, accordingly, are of more than ordinary interest. Significant situations in the following countries are covered: Trieste; Indonesia; Egypt; France and Argentina.— THE EDITOR)

Economics of the Trieste Settlement: The final settlement of the Trieste affair has primarily political rather than economic significance. It ends a decade of bickering between Italy and Yugoslavia, two countries strategically located with respect to the communist orbit, and permits a resumption of more normal trade relations between them. The two countries are economically complementary. Yugoslavia is an exporter of certain industrial raw materials: timber, woodpulp, copper, lead, and bauxite, which together with bread and fodder grains normally find a ready market in Italy. In turn, Italy is able to supply Yugoslavia with a considerable variety of capital goods and equipment—electrical apparatus, mining and road-making machinery, railway equipment and textile machinery—which Yugoslavia needs rather badly for the development of her natural resources and to help open up the backward parts of the country. In prewar days, Yugoslavia supplied Italy with about 4 per cent of her imports and took about 3 per cent of Italian exports. In the postwar years this trade has been practically at a standstill.

The settlement leaves Yugoslavia with most of the Istrian Peninsula. The peninsula is a rather poor agricultural area which, like most of the other Karst regions, is now paying the penalty for ruthless deforestation long ago by the Romans and Venetians; however, it has a good port, Pola, a former Austro-Hungarian naval base. Italy retains the port of Trieste, a city of about 300,000 at the end of a long narrow corridor barely wide enough to provide a railway and highway connection with the rest of Italy.

Trieste was a rapidly growing, prosperous city as long as the economic hinterland on which it drew for business included the greater part of the Austro-Hungarian Empire. By developing Trieste, the Hapsburg Monarchy hoped to avoid using the Danube, which flowed into the Russian-dominated Black Sea, and to eliminate the too-strong economic pull of the North German ports. When Austria-Hungary was broken up following the First World War, Trieste became, economically speaking, a "distress area". To provide employment for its population, Italy greatly expanded the nearby shipyards at Montfalcone and introduced a number of manufacturing industries. Trieste was also made the home of Lloyd Triestino, a state-owned shipping company that held the monopoly of Italian trade with the Near East and Asia. Nor would Trieste have fared much better in Yugoslav hands. The natural ports of Yugoslavia's sea-borne trade are Split (Spalato), Rijeka (Fiume), and Dubrovnik (Ragusa), and use of Trieste would have required artificial diversion of this trade northward.

Following the Second World War, Trieste once more became an economic distress area—a port without a natural hinterland to draw upon. The situation was relieved somewhat by the spending of American and British troops stationed in Trieste since 1945, and later by considerable Marshall aid, thanks to which some additional industries were

introduced into the city. From now on, however, the responsibility for the economic viability of Trieste will be entirely on the Italian Government. A national loan equivalent to about $50 million is now being floated in Italy to support the Trieste economy by introducing more industries and by providing better port and communication facilities. However, Trieste will continue to remain "a port without a hinterland" unless more Austrian and South German trade is directed to it.

Deteriorating Political and Economic Situation in Indonesia: The deteriorating political and economic situation in Indonesia has been giving cause for anxiety for some time now. In the political arena the Nationalists, who have controlled the Djakarta Government since the winning of freedom from the Dutch in 1949, are gradually losing ground, especially in the outlying districts, to the strongly anti-communist Masjumi (Moslem) Party. Moslem rebellion in Atjeh in North Sumatra is far from subdued, banditry in West Java is rife, the Molucca Islands are de facto independent, and now a new center of unrest has developed in the southern Celebes, the chief rice basket of Eastern Indonesia. Large areas are apparently controlled by the Moslem extremists, Daru Islam, who want to make Indonesia into a theocratic state. Meanwhile the shaky Nationalist coalition Government in Djakarta (old Batavia) is making pro-communist compromises at home and abroad. It is rumored that the Indonesian army is now controlled by the communists, who apparently are deliberately moving slowly so as not to alarm the Western Powers. Loss of this area—a veritable treasure house of raw materials—would be a blow to the Free World far worse than the defeat in northern Indo-China. In their foreign policy, the Nationalists are following Nehru's "neutralist" line, strongly favoring the Peiping Government. As a matter of fact the anti-communist, pro-Chiang Chinese are discriminated against and were recently put under police surveillance.

Economically, Indonesia is also drifting toward a crisis. Since the Dutch Economic Advisory Mission left, the country's finances have been deteriorating. The 1954 budget will apparently show a deficit of at least 2.6 billion rupiahs. By last June the money supply was almost 9 billion rupiahs, or some 25 per cent more than a year earlier. Because of rising costs, production for export is declining. Despite measures to control imports, Indonesia's international position is steadily deteriorating. In June the country's gold and foreign exchange holdings declined to $157 million as against $284 million in June 1953. A slight improvement, largely seasonal, has taken place since then, but the reserves continue to be below the statutory minimum. The dollar is reported to bring around 40 rupiahs in the Djakarta free market, as against the official rate of 11½ rupiahs per dollar. The possibility of another devaluation is being discussed.

Despite its great natural wealth, Indonesia has been slipping. After the outburst of activity following the Korean war, when commodity prices rose, there has been little investment except by the Indonesian Government. The Dutch and other foreign investors, thoroughly discouraged, are withdrawing their capital. The only hope would be if elections, long discussed but never held, should give the country a government strong enough to halt inflation, restore confidence in the currency, and permit some regional decentralization. However, 75 per cent of the Indonesians are illiterate, and no western style elections have ever been held—neither during the period of independence nor while the country was a Dutch colony. No one likes to be a pessimist; but unless the Nationalists are able to work together with the Socialists and other moderate parties, it looks as though Indonesia may become a battlefield between the communists and the Moslem extremists, a struggle from which no one will profit.

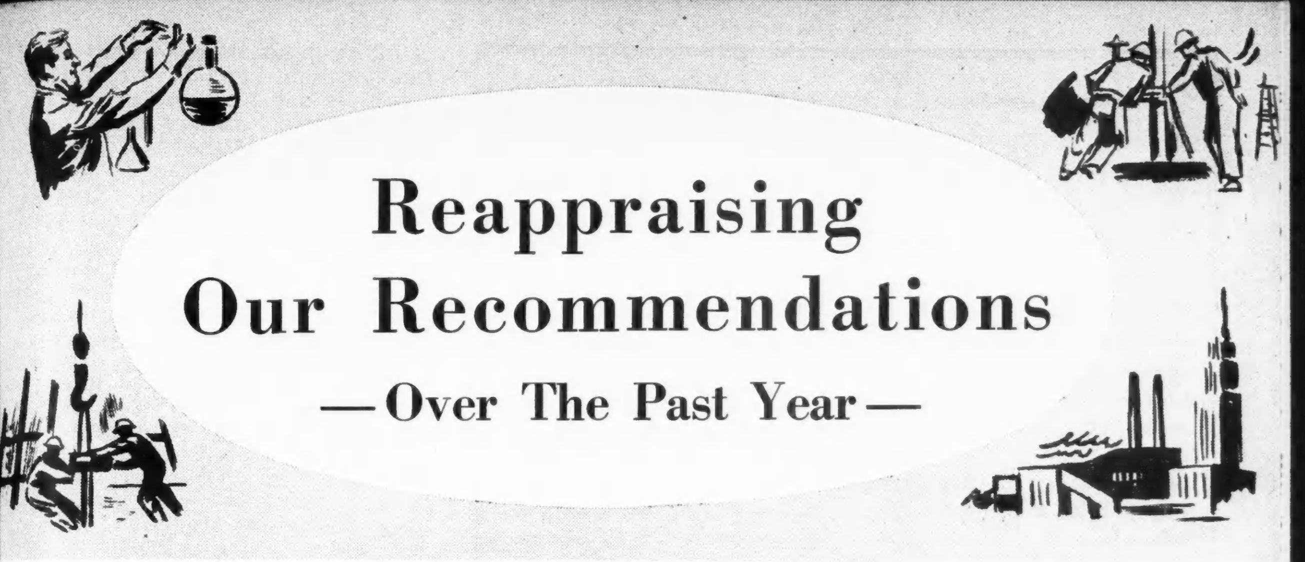
Economic and Political Consolidation in Egypt: As will be recalled, early last spring Egypt went through an "opera bouffe" sort of revolution. The strong man, General Naguib, was deposed by a 12-man Revolutionary Council of men still in their forties, only to be installed a few days later as the country's President when it was discovered that he was too popular and that the Council could not maintain itself without him.

Since the February revolution, Egypt has gradually quieted down. Social and economic conditions have improved. Business has been much better. Many new corporations have been formed. Building activity is as high as in the early postwar years when Egypt had more ready money. Hotels in Alexandria and Cairo are again filled with businessmen and enterpreneurs from the Continent, and from West Germany in particular. With some $10 million released by the British from blocked account, Egypt is again making development plans. A French company is to erect the country's first steel mill, while German aid is sought in erecting new dams and irrigation works. The two new dams planned near the present Aswan Dam are to double Egypt's present irrigated area.

What is the reason for this healthy activity? One reason is that the revolutionary Junta has apparently discovered for itself that there is nothing to be gained by the distribution of wealth or other communist practices. Egypt is too poor for that. The Junta has also discovered that not enough capital is available at home to carry out the far-reaching programs needed to raise the low standard of living of the Egyptian fellahin, and that foreign capital is required. To attract foreign capital, the Government of Prime Minister Gamal Abder Nasser has adopted a more conciliatory attitude. Despite the attacks of chauvinistic groups, such as the Moslem Brotherhood, an historic agreement was reached with the British over the Suez Canal, successfully disposing of one of the oldest causes of friction between the Moslem World and the West.

The positive policies pursued by the Nasser Government have not been lost on Egypt's neighbours. The Sudanese elections were won by a pro-Egypt Party. Cairo, rather than Beirut is once more becoming the center of Arab politics and diplomacy. Egypt's Propaganda Minister, Salah Salem, has been working hard to bring Jordan, Iraq and Saudi Arabia together. Egyptian influence in Libya also is strong. Relations with Israel are the only sore spot problem, but some hope is being expressed that even this problem may be solved as, with the economic development of the Arab countries, the fear of Israeli economic domination subsides.

Is Argentina Emerging from a "Tunnel of Economic Nationalism"? Two years ago Peronist economic policies and a disastrous drought brought Argentina to the verge (*Please turn to page* 164)



Reappraising Our Recommendations

—Over The Past Year—

By H. F. TRAVIS

When market conditions are deemed appropriate, The Magazine of Wall Street normally carries in each issue a number of recommendations or suggestions for investment. They may appear in different forms, such as our familiar "thumbnail analyses", or as individual analyses, or as part of group studies. They also may be found in special features, such as our mid-year Dividend Forecasts, which rates individual stocks, accompanied by individual comments.

During the course of a year, it may be necessary to revise these recommendations and ratings in accordance with changes in the status of the individual companies. In the meantime, many of such changes are noted and recorded in our regular "Answers to Inquiries" which appears in each issue. Furthermore, subscribers have the advantage of calling for our opinion on any three of their stock holdings, which affords them an added opportunity of keeping abreast with changing conditions.

Though our recommendations in each separate issue of The Magazine are highly selective and, therefore, comparatively limited in number, during the course of a year, they naturally accumulate. Under the circumstances it is natural that subscribers would want to know whether our original recommendations still stand.

In order to assist them with respect to recommendations made during the past year, we have just completed a re-survey of the great bulk of these recommendations, 83 in number. These have been incorporated into the accompanying table. Because of lack of space we have been unable to comment individually on each stock, with certain exceptions which will be noted later, but we have comprehensively rated the issues from the practical standpoint of whether they should continue to be held; whether profits should be taken; and whether new purchases should be made. These are indicated under the following symbols:

H—Hold for long-term investment. This means that investors who are concerned essentially with long-term investment objectives should ignore intermediate fluctuations and should not accept profits but continue to retain their positions. A considerable number of issues have been so marked as we have seen no reason why our original opinion as to the soundness of these securities should be changed. Should the fundamental position of any of these issues alter, however, due to unforeseen circumstances, we should, of course, revise our rating and so indicate at an appropriate time.

P—for speculative accounts, original cost may be marked down through partial acceptance of profits. In view of the large size of the profits on a number of our recommendations, it may be that investors, owing to personal requirements, may desire to accept partial profits in order to mark down the original investment. This rating is limited to issues of a more speculative type. However, our rating is not to be construed as a blanket recommendation to sell. Undoubtedly, many subscribers will desire to hold some of these issues, regardless of the size of their profit. In that case, we have given a special rating (2) for such of these issues as might be held by individuals interested in long-term speculative possibilities and who can afford to waive present profits.

H(1) *Attractive for current purchase;* for investment or speculation.

P(2) Hold—For investors interested in long-term speculative commitments.

We could, of course, have simplified our ratings but we realized this might not serve the purposes

One-Year Record of M.W.S. Recommendations							
	Price at Which Recommended	Date	Yield at Time of Recommendation	Current Yield on Original Investment**	1954 High	Number of Points Advance	Rating
General Electric*	70	10/3/53	4.3%	6.3%	145½	75	H
Bendix Aviation	61	11/14	4.9	4.9	99	38	P
Ex-Cell-O Corp.	47	11/14	4.2	4.2	78	31	H[1]
Goodrich, B. F.	70	11/14	3.9	4.5	105	35	H
Louisville & Nashville R.R.	60	11/14	8.3	8.3	78¾	18	H[1]
Sperry Corp*	44	11/14	6.8	7.9	81⅜	37	P[2]
CIT Financial	28½	11/14	6.3	7.0	45½	17	H
Commercial Credit	36½	11/14	6.5	7.1	47	10	H
Cincinnati Milling Mach.	51	11/28	5.9	8.8	84¼	33	H[1]
General Dynamics	34	11/28	8.6	8.8	75⅝	41	P[2]
Lockheed Aircraft	27	11/28	5.5	8.3	44¼	17	P
Revere Copper & Brass	41	11/28	7.3	7.3	59⅝	18	P
20th Century-Fox Film	18	11/28	5.5	8.3	28⅞	10	H
Rohm & Haas	140	12/1	1.1	1.1	281	141	H
Boeing Airplane*	44½	12/12	7.8	10.6	138½	94	P[2]
Firestone Tire & Rubber	62	12/12	6.0	6.4	85	24	P
Sherwin-Williams Co.	76	12/12	4.9	5.4	98	22	H[1]
Reynolds Metals	49	12/12	2.0	3.0	93	44	H[1]
Standard Oil of Indiana	68	12/12	3.6	3.6	95½	27	H
General Telephone*	43	12/12	5.1	5.6	56¼	13	H
Cleveland Elec. Illum.	54	12/26	4.8	4.8	64¾	10	H
General Public Utilities	28½	12/26	5.6	5.9	34⅞	6	H
Houston Lt. & Pr.	28¼	12/26	4.2	4.3	40¼	12	H
No. States Pr. (Minn.)	14	12/26	5.0	5.7	16⅞	2	H
West. Penn Electric Co.	37	12/26	5.9	6.2	45	8	H
Grace (W. R.) & Co.	26⅞	12/26	5.9	5.9	42¼	15	H[1]
Beatrice Foods	42¼	1/9/54	5.3	5.3	51¾	9	H[1]
Beneficial Loan Corp.	38¾	1/9	6.1	6.1	51	12	H
Curtiss-Wright "A"	25	1/9	8.0	8.0	32	7	H
Pacific Lighting	33¾	1/9	5.9	5.9	38¼	4	H
Kress (S. H.)	48½	1/9	6.1	6.1	51¼	2	H
International Nickel	34	1/9	6.9	6.9	49⅞	15	H
Imperial Oil	27	1/9	2.9	3.1	37⅜	10	H[1]
Canadian Pacific	21	1/9	7.1	7.1	28⅜	7	H
Radio Corp. of Amer.	23¾	1/9	4.2	5.0	35	11	H[1]
Consumers Power	39¾	1/23	5.5	5.5	49½	9	H
National Biscuit	36¼	1/23	5.5	5.5	43¼	7	H
Philadelphia Electric	32¼	1/23	4.9	5.4	39¾	7	H
Reynolds (R. J.) Tob. "B"	39	1/23	5.1	6.1	40¼	1	H
Union Tank Car*	45½	1/23	5.7	6.3	58½	13	H
Pittsburgh Plate Glass	52	1/23	4.4	4.4	61	9	H[1]
Douglas Aircraft*	100	2/20	8.0	1[illegible].5	185	85	P[2]

*—Based on old stock before stock-split.
**—Based on indicated 1954 dividend.
†—Stockholders vote on 3 for 1 stock-split Dec. 10.

RATING: H — Hold for long-term investment.
P — For speculative accounts, original cost may be marked-down through partial acceptance of profits.
1—Attractive for current purchase.
2—Hold—For investors interested in long-term speculative commitments.

of different categories of investors. Individual investors have different objectives and we have borne this in mind in our ratings which are influenced by (1) the requirements of individuals with long-term investment objectives; and (2) requirements of individuals who are more interested in shorter-range objectives.

In the following, we present comments on a number of issues incorporated in our table which we believe are still attractive. These have been marked "H(1)" in the table. This means that they may not only be held by investors who purchased at lower prices, but that they are also suitable for new investment by subscribers who may not have acted on previous recommendations.

In this latter group are three issues on which we present "thumbnail" analyses in this issue of The Magazine under the caption "5 Companies in Strong Earnings Uptrend". The three stocks to which we refer are Bethlehem Steel, Allis-Chalmers and Cincinnati Milling Machine. Incidentally, the latter two stocks were previously brought to our readers' attention in our issues of May 1, 1954, and November 28, 1953, respectively.

Others in the "H(1)" group on which we comment on individually, herewith, are:

Armco Steel Corp., was presented to our readers in the April 17, 1954, issue of The Magazine as an undervalued stock and one of the more attractive in the steel group for yield and long-range potentials. At that time, the issue was selling at 39¼. From this level, it has since scored a price gain of 18 points, moving up to a high, so far this year, at 57¼, later reacting to where it is now selling at 54¾, and still affording a yield from its $3 a share annual dividend payments of 5.4%. Armco's earnings stability—net for 1954, it is estimated will run close to $7 a share—and the increasing strength of its position because of its diversification and strategically located mills is increasing the investment status of the issue. The company has yet to realize full benefits of several of its more recent major installations and increased efficiency of operations as a result of its expansion and improvement program. The stock continues to be attractive for its long-range potentials and investors who did not act upon our original recommendation last April may consider the issue at its present price as an addition to

their investment portfolios. Current holdings, of course should be maintained.

Sherwin-Williams Co., was selling at 76 when it was brought to the attention of our readers last December. Since then the stock has advanced to a 1954 high of 98, from which it has receded by only one-half point, currently selling at 97½. The issue is worth retaining and continues to appear attractive for investors who are seeking a sound dividend-payer with price-appreciation potentials. The company, one of the oldest and largest in the paint, varnish and related fields, is also a producer of, among other products, lead products, insecticides and chemicals, and over a number of years has been characterized by its stable earning power. Net earnings in each of the four fiscal years ended August 31, 1953, have been in excess of $7 a share for the common stock. Actual figures for the fiscal year to Aug. 31, last, are yet to be released, but they are expected to better the previous year's net of $7.29 a share. Dividends, maintained without interruption over the last 57 years, were increased to $1.00 a share quarterly with the declaration of payment due Nov. 15, to stock of record Oct. 19. The previous payment was 87½c a share, augmented by 50 cents extra.

Standard Oil Co. (Ohio) was brought to our readers attention in the May 29th issue of The Magazine when the stock was selling at 40. Since then it has moved moderately to a high to date of 42½. From that level it has dipped to current price of 41½, where it continues to offer an opportunity for new commitments for good yield and market possibilities over the longer-term. Present holdings, of course should be retained. The company is operating in a growing area which together with its consistent research and development program, is reflected in continual expansion in sales and earnings over the five years to the end of 1953. However, indications, based on 1954 first half results, are that this trend may be temporarily upset, inasmuch as net for the period, due largely to lower sales to industrial users, dropped to $1.90 a share from $2.02 a share in the like months of last year. Higher depreciation, depletion and amortization charges, as well as expenses in adding new operating facilities also were factors. These new manufacturing and distributing facilities, however, strengthen the company's posi- (*Please turn to page* 165)

One-Year Record of M.W.S. Recommendations (Continued)

	Price at Which Recommended	Date	Yield at Time of Recommendation	Current Yield on Original Investment**	1954 High	Number of Points Advance	Rating
Montgomery Ward & Co.	61	3/6	5.7%	5.7%	80⅜	19	P
Southern Railway	43¼	3/6	5.7	8.0	59½	16	H
Union Oil of Calif.	41	3/6	5.0	5.3	51⅞	10	H[1]
U. S. Rubber	30	3/6	6.6	6.6	39⅜	9	H
Westinghouse Electric	54½	3/6	3.6	3.6	75⅜	20	H[1]
Idaho Power	47	3/20	4.7	4.7	57⅞	10	H
Koppers Co.	35	3/20	7.0	7.0	37⅞	2	H
Outboard Marine & Mfg.*	46⅞	3/20	4.2	5.3	85½	38	P
Yale & Towne Mfg.	39⅞	3/20	6.2	6.2	49½	9	P
Johns-Manville	68⅜	4/3	6.2	6.2	78¼	9	H
Joy Mfg.	34	4/3	9.1	7.3	36¼	2	H
Pacific Gas & Elec.	41¼	4/3	5.3	5.3	45⅞	4	H
Western Pacific R.R.	56	4/3	5.3	5.3	61¾	5	H
Allied Chemical & Dye	77	4/3	3.8	3.8	101	24	P[2]
Armco Steel	39¼	4/17	7.6	7.6	57¼	18	H[1]
Atlantic Coast Line R.R.	96½	4/17	6.2	6.2	126½	30	P[2]
Crane Co.	34	4/17	6.6	6.0	38	4	H
Goodyear Tire & Rubber	61½	4/17	4.8	4.8	91	29	P
Woolworth (F. W.) Co.	40¾	4/17	5.8	5.8	48	7	P
Grant (W. T.)	33¾	4/17	4.2	4.2	40¾	7	P
Allis-Chalmers	59½	5/1	7.8	7.8	68¾	9	H[1]
Phillips Petroleum	63	5/1	4.1	4.1	67½	4	H
Bethlehem Steel	65	5/15	7.6	8.8	82½	17	H[1]
Federated Dept. Stores	42¼	5/29	6.0	6.0	54¾	12	H[1]
Inland Steel	53½	5/29	6.5	6.5	67½	14	H[1]
St. Regis Paper	26⅜	5/29	6.0	6.0	34½	8	H
Standard Oil of Ohio	40	5/29	6.0	6.0	42½	2	H[1]
Borden Co.	61	5/29	3.9	3.9	74½	13	H
National Dairy Products*	72	5/29	4.1	4.3	83½	11	H
Chi., R. I. & Pacific R.R.	71	6/12	7.0	7.0	77½	6	H[1]
Socony-Vacuum	44	6/12	5.1	5.2	49½	5	H
International Paper	68½	6/12	4.3	4.3	81	12	P
Chicago Pneumatic Tool*	59¼	6/12	6.7	6.7	73½	14	P
Illinois Central	46	6/12	5.4	5.4	52⅛	6	H
Borg-Warner†	86	8/21	6.0	6.0	104¾	18	P
Cities Service	93	8/21	5.3	5.3	109⅞	16	P
Corning Glass	121	8/21	1.5	1.5	125	4	H
Eastman Kodak	59	8/21	4.8	4.8	63¼	4	H
General Foods	75	8/21	3.5	3.6	80⅛	5	H
Mid-Continent Pete	83	8/21	4.8	4.8	96⅝	13	H
Texas Gulf Sulphur	102	8/21	4.9	4.9	109⅝	7	H[1]

*—Based on stock before stock-split.

**—Based on indicated 1954 dividend.

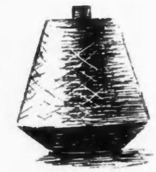
†—Stockholders vote on 3 for 1 stock-split Dec. 10.

RATING: H — Hold for long-term investment objectives.

P — For speculative accounts, original cost may be marked-down through partial acceptance of profits.

1—Attractive for current purchase.

2—Hold—For investors interested in long-term speculative commitments.



What Now for 'Miracle' Fibers?

By PHILLIP DOBBS

The "romance" in man-made fibers was broken abruptly last year when many of the synthetics on the market at that time failed to live up to the over-enthusiastic promises made for them in advertisements and promotions all over the country. This ended, for the time being, an amazing growth pattern and the miracle fibers shared in the textile depression which had gripped woolens and cottons.

A conservative appraisal of prospects now indicates that these fibers still hold considerable growth appeal. Expansion may not be speeding as rapidly as once contemplated but there is almost certainly to be a steady rise in production and use of rayons, orlons, nylons, dacrons and the host of other materials with chemical sounding names. A constructive result of the reaction is that producers of the new synthetics have been made fully aware of the many pitfalls which face an industry of mushrooming growth and now possess a more sober outlook.

The barrage of publicity which revolved about many of the new fabrics not only blew up the claims about their properties but also created a false impression about the size of this market. A glance at production statistics reveals that only a small portion of the total market has been captured, so far, by the "miracle" fibers. Total consumption of textiles amounted to 6.5 billion pounds last year of which the new man-made fibers provided only 280 million pounds. Rayon and acetate, which are synthetics that date back three decades, accounted for 1.2 billion pounds. Cotton was the mainstay of the industry with its 4.5 billion pound usage. Domestic consumption of wool was just under 500 million pounds.

Not counting rayon and acetate, synthetics account for only 4 per cent of the total textile output. The goal of the producers of the new fibers is to grow through creation of new uses and markets for textiles as well as by cutting into sales of competing materials.

Rayon Penetrates into Tire-cord

One expert sees it this way. Consumption of all textiles in 1974 will increase to about 11 billion pounds from last year's $6\frac{1}{2}$ billion total due to a larger population and somewhat higher per capita usage. Synthetic output would grow from this year's 300 million pound total to 2 billion pounds in twenty years, an increase of more than 500 per cent. Rayons, cottons and woolens are forecast as having a gain to 9 billion pounds from 6.2 billion currently. This would be a relative gain of only 44 per cent. However, the volume growth for cottons, rayons and woolens would out-distance the miracle fiber expansion 4.8 billion pounds to 1.7 billion pounds according to this analysis.

View in cellulose acetate building of the Narrows, Virginia, plant of Celanese Corporation of America showing battery of squeeze rolls. This is the beginning of drying process for cellulose acetate flake.

Forecasts of this nature, though, are "subject to change without notice." The penetration of rayon into the tire cord field is one of those cases where results did actually exceed optimistic expectations. It illustrates how the proper material, priced competitively, can cannibalize a market. Tire cord production was once the largest single end use of cotton yarn, now it requires only small quantities of cotton. In 1939, all but 3 per cent of tire cord was produced from cotton but World War II stimulated rayon development and the search for substitute materials of all kinds. The amount of rayon turned into tire cords rose from 9 million pounds in 1939 to 115 million pounds in 1944 and 258 million pounds by 1948. Cotton use dropped back percentagewise and in volume. Synthetics filled 71 per cent of the tire cord demand in 1949 and 97 per cent of the 1953 total when 440 million pounds of rayon were used in tires.

While the rest of the textile market was undergoing a severe correction, the gains made in use of rayon tire cord helped Industrial Rayon Corp, one of the suppliers, who set a new sales record in 1953. About 75 per cent of Industrial Rayon capacity is devoted to tire yarns. Sales of this company last year rose to a peak of $70 million from $68 million in 1952. Net income was equal to $4.68 a share of common stock. Operations are off this year due to reduced tire production.

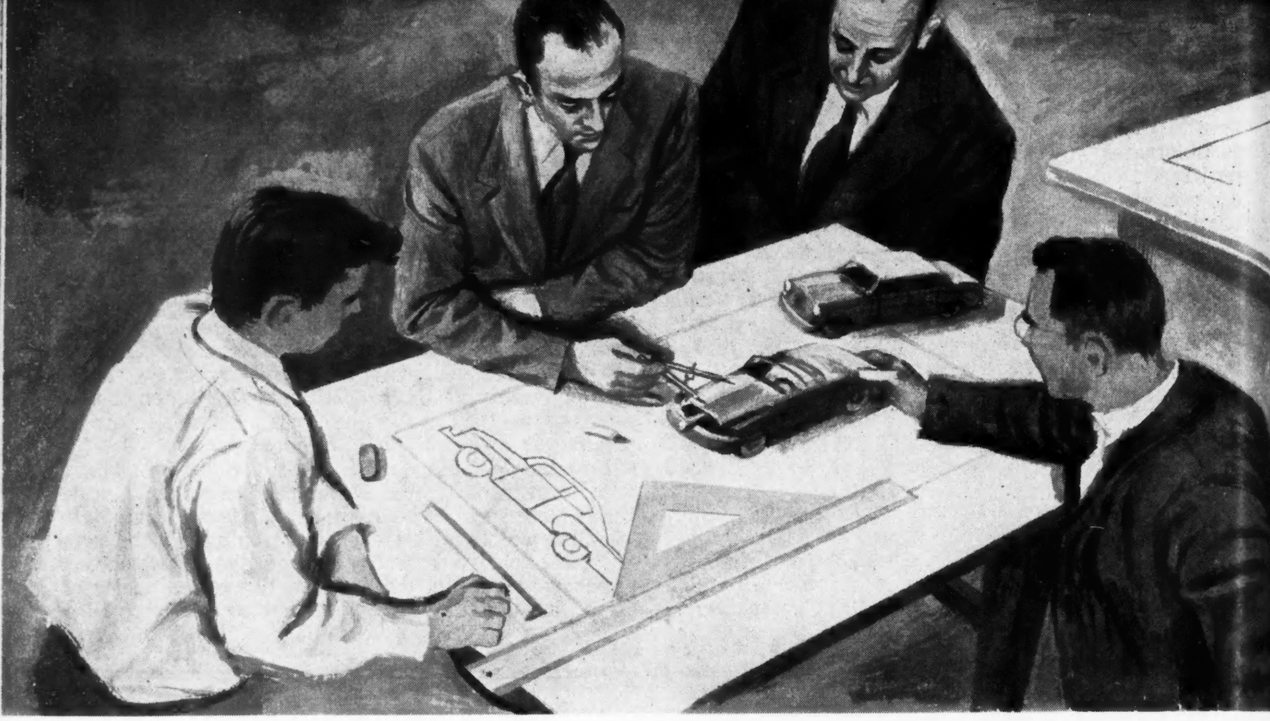
Rayon has also enjoyed widespread acceptance by the carpet industry where its use helped balance out some large price increases in wool. To insure desired quality standards some of the leading carpet companies absorbed rayon producers. Control of Delaware Rayon Co. was acquired in 1951 by Mohawk Carpet Mills, Inc. through the purchase of all outstanding class B voting stock and some class A nonvoting shares. Bigelow-Sanford Carpet Co. holds full ownership of Hartford Rayon Co. which it also acquired in 1951 when the carpet industry was at the height of the Korean War boom.

Courtaulds, Ltd., British rayon producer, has been successful in its United States productive endeavors. Plans have already been approved for an immediate doubling and possible eventual tripling of the production capacity of a subsidiary's plant in Alabama which was completed last year. Present capacity of 50 million pounds *(Please turn to page 166)*

List of Synthetic Textile Producers

	1952 Net Per Share	1952 Div. Per Share	1953 Net Per Share	1953 Div. Per Share	1954 1st 6 mos. Net Per Share	1954 Indicated Full-Year Div.	Price Range 1953-54	Recent Price	Indicated Div Yield
RAYON:									
American Enka	$ 5.42	$ 2.00	$ 5.74	$ 2.00	$ 2.60[8]	$ 1.60	43 -32¼	38	4.2%
American Viscose	4.88	2.50	2.74	2.00	.71	2.00	60¾-30⅝	35	5.7
Beaunit Mills[1]	.31		3.03	.25	.44[9]	1.00	22¼-13¼	17	5.8
Bigelow-Sanford Carpet[2]	(d) 1.44	.25	3.23	......	(d) .26	......	16 - 9¾	13	......
Celanese orp. of America	.77	2.25	1.01	1.25	(d) .18	.62½	38¾-16¼	21	2.9
Du Pont	4.70	3.55	4.94	3.80	3.22	4.00	150 -91	144	2.7
Eastman Kodak[3]	2.74	1.80[10]	2.86	1.80[10]	1.61	2.00	63¼-41⅝	59	3.4
Industrial Rayon	4.83	3.00	4.68	3.00[10]	2.10	3.00	56½-38⅜	42	7.1
ACRYLIC FIBER:									
American Cyanamid	3.07	2.00	3.15	2.00	1.50	2.00	55⅞-41⅝	49	4.0
Chemstrand[4]	See Text								
*Du Pont	See Text								
Union Carbide and Carbon	3.41	2.50	3.55	2.50	1.42	2.50	89 -61½	81	3.0
NYLON:									
Allied Chemical & Dye	4.55	3.00	5.10	3.00	2.56	3.00	101 -62	94	3.2
*American Enka	See Text								
*Beaunit Mills	See Text								
*Chemstrand	See Text								
*Du Pont	See Text								
*Industrial Rayon	See Text								
POLYETHYLENE FIBER:									
Firestone Tire & Rubber	10.89	3.50	11.77	3.75	7.03[11]	3.75	86 -53⅝	85	4.4
Reeves Bros., Inc.	2.07	1.20	1.31	1.20	1.01[12]	1.05	18⅝-12	15	7.0
SARAN:									
*Du Pont[5]	See Text								
*Firestone Tire & Rubber	See Text								
General Tire & Rubber[6]	4.82	2.00	4.91	2.00	2.45	2.00	40¼-22¾	36	5.5
VICARA:									
Virginia-Carolina Chemical	4.81	......	5.12	......	4.26[12]	......	48¼-16⅛	47	......
CELLULOSE PULP:[7]									
International Paper	5.23	3.00	6.44	3.00[10]	3.06	3.00	81 -43⅝	78	3.8
Proctor & Gamble	4.32	2.60	4.35	2.60	5.42[12]	3.45	96½-68	93	3.7
Rayonier	4.90	1.50	4.72	1.50	2.67	1.75	50⅝-22⅞	46	3.8

(d)—Deficit.
*—Indicates that company had been mentioned previously in table.
1—Amer. Bemberg and Coosa Pines division.
2—Hartford Rayon division.
3—Tennessee Eastman Co.
4—Jointly owned by Amer. Viscose and Monsanto Chemical.
5—Raw material produced by Dow Chemical Co.
6—Bolta Products division.
7—Raw material for rayons and acetates and certain cellulosic plastics.
8—36 weeks ended Sept. 12.
9—Quarter ended June 30.
10—Plus stock.
11—9 months ended July 31.
12—Years ended June 30, 1954.



Chrysler's Year of Decision

By ORRIN FLEMING

(Because of the extraordinary interest in the future of Chrysler, which, as everyone knows, has been experiencing lean times, we have asked one of the best-posted experts on the situation to make a special field survey. The article which follows, therefore, is of unusual importance at this time. Obviously, a clear view of the outcome of Chrysler's struggle to regain its former position in the automobile industry will be more feasible as developments unfold in the next few months. In the meantime, investors can profit from careful examination of the facts and data set forth in this article. Editor)

Americans have come to believe that their corporation giants are invulnerable. Hence, when one of these giants suddenly and almost out of a clear sky, as it were, is confronted with a serious loss of business which could involve its entire future, the subject is of great importance not only to the stockholders in the company but to investors generally. There is no doubt that the fate of this "billion-dollar" company (assets about $900 million) with its more than 125,000 employees, at normal operations, is of vital importance not only to investors but to extensive segments of business; for example, the many companies which supply this giant corporation with supplies. Naturally, all of them are concerned in the future of Chrysler.

The year drawing to a close was among the poorest in the history of the company. As a result, the management has been forced to make major changes, including very heavy financing. It has adopted extreme and costly methods to regain its position. Now, it faces a "year of decision."

For many months now, Chrysler has been pointing to 1955 with emphasis on a completely restyled line of cars, revamping of sales and management, closer attention to dealers, better relations with labor and a stepped-up program of more and better advertising and promotion.

All this hectic planning, innovating and promoting will come as no surprise to those who have watched developments in the automotive industry. General Motors did it year in and year out without prodding, young Henry Ford did it for his company although less swiftly and sure-handedly, but Chrysler has begun to move only since G.M. and Ford pulled away from the field.

A Surprise to Stockholders

The nearly 100,000 stockholders who read the Chrysler annual report for 1953 certainly never were apprised of the bitter days that lay ahead, although they knew the stock had broken to little more than half of its 1953 peak of 96¼. The 12-month report, dated February 11, 1954, was studded with glittering statistics that told of record passenger-car sales, all-time high dollar sales, a record for the air-conditioning division and new peaks of engineering performance. Net profit, to be sure, was down 5%—to $74,789,000, or $8.59 a share from $78,697,000, equal to $9.04 a share, in 1952. And net per dollar of sales for 1953 had skidded to

2.23% from 3.03%. Still, the $1.50 quarterly dividend was intact and there was widespread belief that this rate of payment would be maintained.

A foretaste of the dramatic slide in the fortunes of the company was provided, however, with the issuance of the report for the first three months of 1954—net profit down to $7,681,000, or 88 cents a share, from $24,429,000, or $2.81 a share, in the first quarter of the preceding year. Equally ominous was word that consolidated earnings were 1.45% of sales compared with 2.64% for the initial quarter of 1953. Yet the $1.50 quarterly dividend was paid, buoying the stock and its holders.

The bad news got worse with publication of the second-quarter figures. Net profit for the first six months was $15,792,000, equal to $1.81 a share, on sales of $1,085,383,000 against $44,137,000, $5.07 a share, and $1,874,267,000 in the first half of 1953. Consolidated earnings for the 1954 period were 1.45% of sales compared with 2.35% a year earlier. There was nothing to do but pare the dividend to 75 cents. Stockholders were told:

"While dividends are paid out of retained earnings and not out of current earnings, nevertheless, in light of results of the first half of the year and the fact that third-quarter output will be curtailed, due to inventory-taking and changeover to new models, the directors decided that a change in the dividend declared at this time is in order."

Indeed, the third-quarter report should make grim reading, owing largely to the changeover cited by the company in the foregoing. It might have been better to describe it as a rebirth, for the Chrysler line of cars has been changed drastically. The company is banking heavily on this new line of machines to put it back in the big league with G.M. and Ford.

The fourth quarter may well be the worst of all, especially if all the developmental costs are thrown into those three months.

Its shutdown for new models and inventory started in mid-August. At the close of September it counted little more than a hundred Chrysler, Plymouth, DeSoto and Dodge cars as the company encountered manufacturing difficulties. New-model changeovers, never an easy assignment, were particularly difficult this year. At Plymouth's Detroit plant, for example, the changes entailed, aside from the usual new-model installation of new machines and equipment, new conveyor lines, extension of existing lines, alteration of the roof structure, moving of walls, switching of offices, rebuilding of floors, revamping of docks and altering of entire departments.

The new Plymouth, like the rest of the Chrysler line, is longer than the 1953 jobs. This is a departure from the practice at Chrysler to "shrink" its cars, although the American public long has shown a preference for bigness in cars and a long, low silhouette to go with them. Once the car shortage, brought on by the absence of manufacture in the war years, had become a thing of the past the public turned to G.M. and Ford, which featured long-looking sleek hoods and puffed-up fenders and decks.

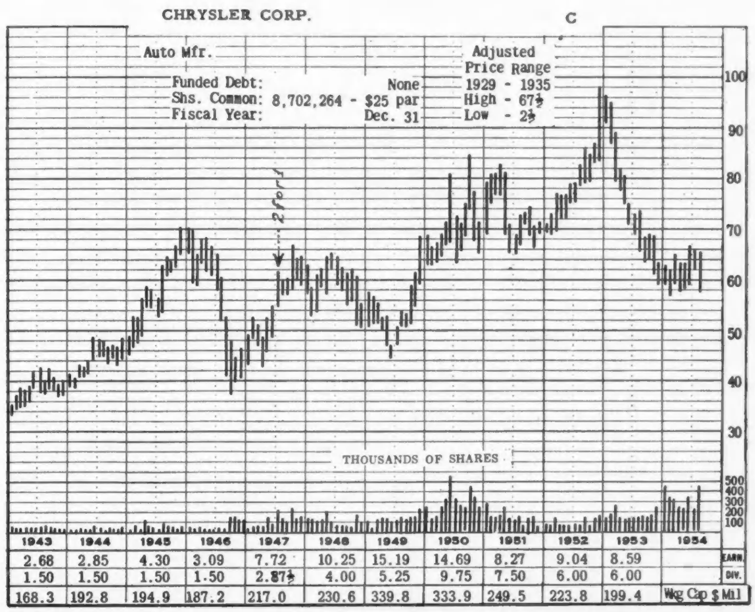
Comparative Balance Sheet Items

ASSETS	Dec. 31 1944	June 30 1954 (000 omitted)	Change
Cash & Marketable Securities	$154,336	$136,584	—$ 17,752
Receivables, Net	142,178	111,606	— 30,572
Unbill. Costs—Def. Contr.	74,598	22,269	— 52,329
Inventories	77,455	225,016	+ 147,561
TOTAL CURRENT ASSETS	448,567	495,475	+ 46,908
Net Property	48,431	370,734	+ 322,303
Investments	3,390	12,009	+ 8,619
Other Assets	9,071	8,144	— 927
TOTAL ASSETS	$509,459	$886,362	+$376,903
LIABILITIES			
Acct. Pay. & Payrolls	$113,001	$189,999	+$ 76,998
Accruals	2,174	47,141	+ 44,967
Tax Reserve	53,836	52,411	— 1,425
Adv. for War Mat.	86,744	....	— 86,744
TOTAL CURRENT LIABILITIES	255,755	289,551	+ 33,796
Reserves	53,978	....	— 53,978
Common Stock	21,756	217,556	+ 195,800
Surplus	177,970	379,255	+ 201,285
TOTAL LIABILITIES	$509,459	$886,362	+$376,903
WORKING CAPITAL	$192,812	$205,924	+$ 13,112
CURRENT RATIO	1.7	1.7	....

In essaying a comeback, Chrysler is banking most heavily on Plymouth, its low-priced car, which tumbled from the list of Big Three sales leaders in 1954. To regain No. 3 position from Buick, Plymouth would have to sell nearly as many cars as all four Chrysler divisions marketed in 1954. Plymouth's best year was 1953 when 633,000 units were produced. However, it has the capacity to turn out nearly 900,000 cars a year.

Style Pays Off

Not a word was spoken against Chrysler engineering, of course, since the technically-minded motorist



long since had accepted the mechanics of its cars as the equal of anything extant. But the average car-buyer doesn't even investigate under the hood when he consummates the deal and if he did he would know no more for the study. Buying the stylishly smooth-looking cars of G.M. and Ford, he never got around to looking at the "boxy" products of Chrysler dealers. The 1953 Dodge models had reduced wheelbase as much as 9.5 inches while Plymouth cut all its models 4.5 inches. At the same time the engineers cut over-all length by 5.5 inches on Dodge and 4.7 inches on Plymouth. They also chopped Dodge's hood 6.5 inches and Plymouth's 5.25 inches.

If Chrysler does not stage a stunning comeback in 1955 it will not be for lack of innovations. The company is carrying out the most intensive retooling in all its history and it has spent $250 million in new designs. Its 1955 line of cars has been changed from bumper to bumper. All of its machines will have the "long, fleet look"—a term coined by its advertising people. An example of this new trend is the new Plymouth sedan, which is 10½ inches longer overall than the 1954 job, and nearly two inches lower. Overall length has been increased in other lines to as much as 16.1 inches for the Dodge special club coupe. The DeSoto sportsman coupe has been lowered by 2.6 inches. Chrysler people promise 1955 will be the brightest color year with exterior finishes in as many as 56 solid colors and 173 two-tone combinations, plus a few three-tone blends.

Immediate goal is to recapture 20% of the automotive market for the Chrysler line of cars and to build up the company's share from that point. The 20% figure would represent a sharp advance over the current situation. As the company will not introduce the new models for public sale until November 17, it will have only a negligible amount of time to improve its share for the year. A return to 20% would put Chrysler back in industry standing to where it was in 1953, when it had 20.31% of total sales. That was its peak year in dollar volume, but company officials expect later to improve their share of the market beyond the immediate target. In 1946, a year of tight automobile supply, Chrysler had 25.74% of the market, its biggest slice.

In its efforts to obtain and even exceed the share of the market Chrysler had for many years, the company plans to back its new cars with a "tremendous" advertising campaign, blanketing the country through newspapers, radio and television.

Streamlined accounting procedures are developing out of the company's divisionalization plans, with each division accountable for its own profit-making and having to pay its own way. Chrysler also has set up separate divisions to handle defense operations and to furnish financial aid to new dealers. These plans have the strong backing of L. L. Colbert, president, and a team of executives alert to the shortcomings of Chrysler.

Mr. Colbert, age 49, came to the presidency of Chrysler in 1950. Unlike Walter Chrysler and other top men of the company, he did not come up out of the shop. He went into business as a youth, trading cotton in Texas, his home state. A successful cotton trader, he nevertheless joined a New York law firm that numbered among its clients Mr. Chrysler and Chrysler Corporation. Mr. Colbert was brought into the firm and soon found himself attached to the office of K. T. Keller, slated to succeed Mr. Chrysler. Mr. Keller brought him along carefully—a night school for mechanics and blueprint reading, labor relations, production problems. One day he found himself handling the mammoth Dodge Chicago aircraft-engine factory. The country was at war and Mr. Colbert went on to set an enviable production record. After the war he headed up the Dodge division. By the time Mr. Colbert had passed this last examination most of the Chrysler old guard, approaching compulsory retirement, were about to step aside for a new group. Mr. Colbert was made president four years ago and Mr. Keller became chairman of the board.

Change in Management Policy

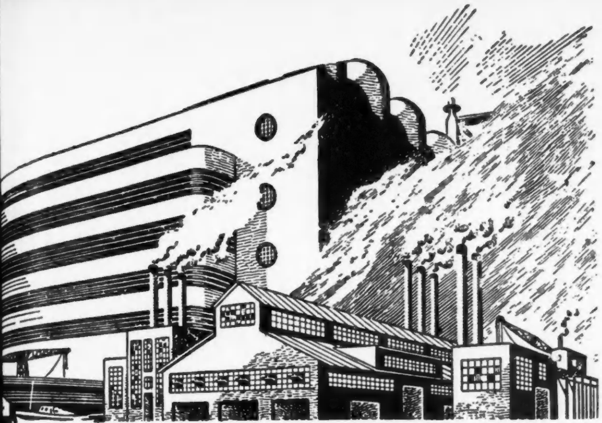
The decentralization of central engineering is a Colbert undertaking. This central-engineering department down the years has presented the various divisions of the company with product to manufacture. It was responsible for dozens of engineering "firsts." Indeed, Chrysler engineering long has taken primacy over everything else. Seeking a change in emphasis, Mr. Colbert wants central engineering to become a policy and service organization, reaching into every division of the company, but leaving final product decisions to the divisions.

If there has been a downturn in the sales and earnings of Chrysler, no erosion is noticeable in the engineering ability of the (*Please turn to page* 167)

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1954 (1st 6 months)	$1,085.3	$ 37.7[1]	3.4%[2]	$ 22.0	$ 15.7	1.4%	$ 1.81	$ 3.75[3]	......	70 -56¼[4]
1953	3,347.8	193.1	5.7	125.0	74.7	2.2	8.59	6.00	13.1%	96¼-58¾
1952	2,600.9	239.7	9.2	169.0	78.6	3.0	9.04	6.00	14.3	98 -68⅛
1951	2,546.6	142.0	5.5	79.0	71.9	2.8	8.27	7.50	13.8	82⅜-65⅛
1950	2,190.6	234.2	10.6	123.0	127.8	5.8	14.69	9.75	24.8	84½-62½
1949	2,084.6	197.3	9.4	81.0	132.1	6.3	15.19	5.25	28.0	68½-44⅛
1948	1,567.9	135.6	8.6	55.5	89.1	5.6	10.25	4.00	23.1	65¾-50⅝
1947	1,362.6	113.8	8.3	51.3	67.1	4.9	7.72	2.87	20.6	66⅞-56⅛
1946	870.0	32.1	3.7	6.2	26.8	3.0	6.18	3.00	9.5	58¾-42⅝
1945	994.5	54.9	5.5	19.6	37.4	3.7	8.61	3.00	14.9	70½-37⅝
1944	1,098.0	83.3	7.5	47.1	24.8	2.2	5.70	3.00	12.4	70⅛-45¾
10 Year Average 1944-1953	$1,866.3	$142.6	7.4%	$ 75.6	$ 73.0	3.9%	$ 9.42	$ 5.03	17.4%	98 -42⅝

1—Pre-tax income.
2—Pre-tax margin.
3—To Sept. 11, 1954.
4—To October 8, 1954.



5 Companies in Strong Earnings Uptrend

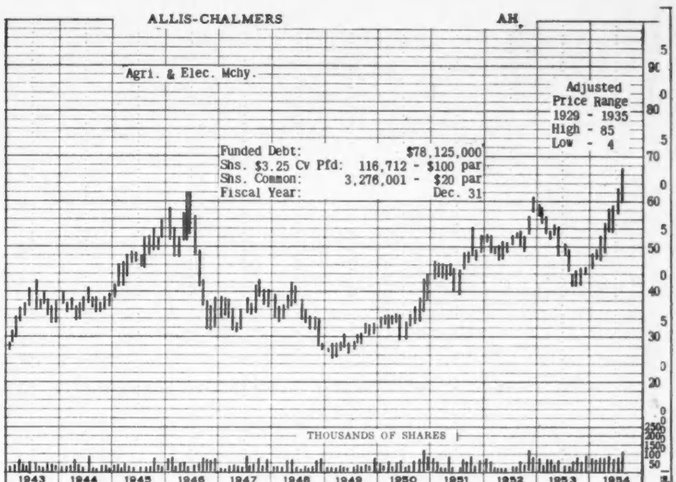
By OUR STAFF

After a year's virtually uninterrupted advance, many stocks have reached a point to give pause to the investor seeking new opportunities for appreciation. Clearly, some of these issues may be said to have outpaced earnings or dividends, present or prospective. In plain words, they are no longer "cheap." However, by dint of careful search, investors may still find issues that have some distance to go marketwise, as would be normally warranted by their satisfactory earnings prospects. Though these issues have undoubtedly scored substantial gains from their low points of last year, nevertheless, they are by no means excessively high, according to present earnings indications and those conservatively estimated over the near-term future.

While there is no absolute criterion by which stocks may be judged to be "cheap" or "dear," the old rule-of-thumb standard of "price-times-earnings" ratio may serve as a useful guide. In a market where good-to-high-grade stocks sell at an average of 15-20 times earnings, it is worth noting that some stocks of comparative value sell at a ratio of from only 5 to 10 times earnings. This unusually low ratio, against a background of substantial earnings, is what makes these issues attractive, on a comparative basis.

After careful research, our Staff has selected five issues which, according to their market-times-earnings ratio, would appear undervalued. On average, these five issues are selling at the rather phenomenally low ratio of 6.6 times their estimated 1954 earnings. These stocks are discussed separately in the accompanying text, to which pertinent data are appended. The selections are: Allis-Chalmers; Bethlehem Steel; Cincinnati Milling Machine; Denver & Rio Grande Western Railroad, and Rayonier Incorporated.

It is suggested that investors intending to make purchases should do so only in reactionary periods. In view of the somewhat uncertain position of the market, prior to the elections, this may prove more profitable than by making purchases immediately.



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	4.51	4.77	2.91	0.06	1.69	5.67	6.99	8.72	8.19	7.98	6.58	
DIV.	1.25	1.65	1.75	1.60	1.60	1.60	2.00	3.25	3.50	4.00	4.00	
Wkg Cap $ Mil	98.7	104.7	72.7	111.8	106.3	125.3	149.4	154.2	151.1	197.0	207.9	

ALLIS-CHALMERS MANUFACTURING CO.

BUSINESS: Products and markets of Allis-Chalmers are as diversified as the many industries it serves. Among its major output are rotary compressors, hydraulic and steam turbine generators, transformers, and varied other equipment for electric utilities, industrial plants and atomic energy projects. Other products include agricultural equipment, tractors, diesel and other types of internal combustion engines, fork lift trucks, and industrial and road-building machinery.

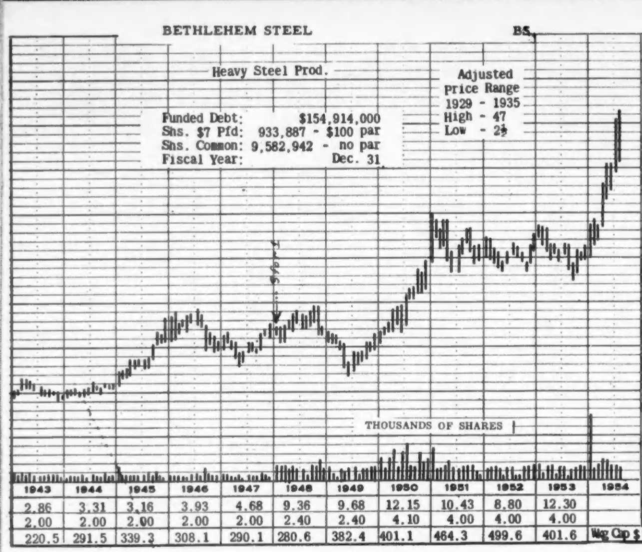
OUTLOOK: The company has an impressive record of growth. Research and engineering, together with acquisitions from time to time, has resulted in developing new products, improving established lines, and adding other products. The growth dynamism is depicted in the sales record since 1946, the volume rising from $93.8 million for that year to a 1953 peak of $514.4 million, while working capital rose from $111.8 million to $207.9 million. Net income for 1953 was equal to $6.58 a share for the common stock. This showing should be surpassed in 1954. For the first six months to June 30, last, net sales of $258.8 million, while running only slightly ahead of the 1953 corresponding period, resulted in net income of $13.4 million, equal to $3.94 a share, as compared with $10.4 million, or $3.33 a share a year ago. The ability of the company to expand net earnings by a little more than $3 million in the 1954 first half-year, while reflecting a little better tax situation, is largely due to the realization of further benefits accruing from increased plant efficiency as a result of the expenditure in recent years of approximately $200 million for new plants and improvements. Because of its diversification of products for agricultural, industrial and electrical fields, Allis-Chalmers appears to be in a particularly advantageous position to continue to expand sales and earnings over the years. To this outlook is added the potentials through increasing activity in atomic energy, the company being a supplier of compressor equipment for AEC atomic plants and only several weeks ago was selected to design and construct and install various equipment for a new experimental atomic power plant.

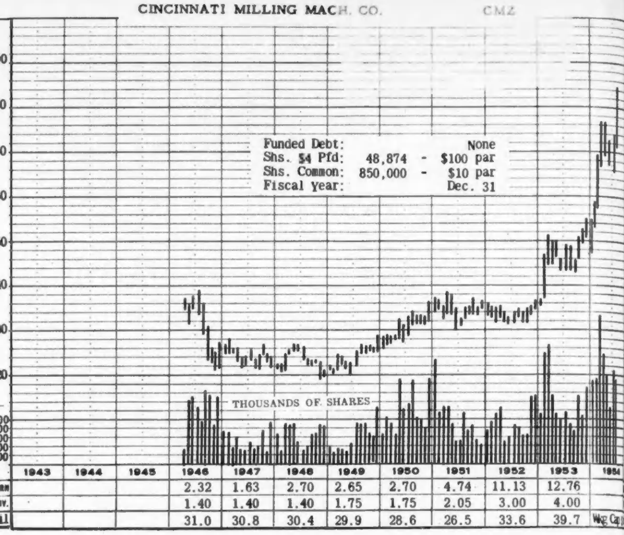
DIVIDENDS: Payments, made without interruption for the last 18 years, have been at an annual rate of $4 a share since 1952.

MARKET ACTION: Recent price of 66⅝, compares with a 1953-54 price range of High—68¾, Low—41⅛. At current price, the yield is 6.0%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1953	1944 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 58,631	$ 37,680	—$ 20,951
Receivables, Net	37,043	107,373	+ 70,330
Inventories	87,145	176,958	+ 89,813
Billings on Contracts	cr. 12,912	cr. 17,029	+ 4,117
TOTAL CURRENT ASSETS	169,907	304,982	+ 135,075
Net Property	29,788	90,993	+ 61,205
Investments	9,450	4,584	— 4,866
Other Assets	4,747	944	— 3,803
TOTAL ASSETS	$213,892	$401,503	+$187,611
LIABILITIES			
Debt Payable		$ 27,250	+$ 27,250
Accounts Pay. & Payrolls	$ 28,363	27,328	— 1,035
Accruals	20,827	11,260	— 9,567
Taxes Accrued	15,963	31,185	+ 15,222
TOTAL CURRENT LIABILITIES	65,153	97,023	+ 31,870
Reserves	8,994		— 8,994
Long Term Debt	40,000	78,125	+ 38,125
Preferred Stock	29,601	12,073	— 17,528
Common Stock	43,124	65,344	+ 22,220
Surplus	27,020	148,938	+ 121,918
TOTAL LIABILITIES	$213,892	$401,503	+$187,611
WORKING CAPITAL	$104,754	$207,959	+$103,205
CURRENT RATIO	2.6	3.1	+ .5





BETHLEHEM STEEL CORPORATION

BUSINESS: Bethlehem which ranks as the second largest company in the steel industry controls vast quantities of basic raw materials and operates strategically located steel mills and manufacturing plants producing a diversified line of steel products ranging from heavy structural shapes to bolts and nuts. The company is not only a fully integrated steel unit, but is also the world's largest shipbuilder.

OUTLOOK: This integration of Bethlehem's operations starting from mining of raw materials and extending to the manufacture of finished products, together with its fabricating and manufacturing facilities capable of producing practically anything made of steel are the sinews of strength which account for the company's strong position and its demonstrated earning power. Since 1946 to the close of 1953, in excess of $750 million was spent for expansion and modernzaton of production facilities and for additions to its raw materials resources. At the same time it increased ingot capacity by almost 50% or from 12.9 million tons to 18.5 million tons. This growth was accomplished without impairing financial strength, achieved with an increase of but $34 million in funded debt, while working capital increased by more than $69 million to $401 million. Approximately $343 million of total expenditures since 1949 for expansion and improvements are subject to fast write-offs for tax purposes. The amount charged to 1953 earnings under this provision totaled $35 million. Despite this, net earnings last year of $133.9 million were equal to $13.30 a share for the common stock. Of the four largest steel producers, Bethlehem, incidentally, made the best showing on the basis of net income as a percentage of sales at 6.4, as compared with 5.8% shown by its nearest competitor. Although steel production, in keeping with conditions throughout the industry, was down from the high 1954 level the company, aided by a smaller Federal income tax, was able to show net of $5.77 a share for the common stock for the first half of 1954. Net for the full year is likely to approximate $10.50 a share and this could be materially improved upon with a continuation of the uptrend in steel demand through the balance of the year.

DIVIDENDS: Payments, made without interruption over the last 16 years, through the third quarter of 1954, have amounted to $4.50 a share, indicating a $5.75 annual rate.

MARKET ACTION: Recent price of 78, compares with a 1953-54 price range of High—82½, Low—44⅜. At current price, the yield is approximately 7.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 om tted)	Change
ASSETS			
Cash & Marketable Securities	$ 296,344	$ 511,411	+$215,067
Receivables, Net	152,224	158,582	+ 6,358
Inventories	135,181	293,622	+ 158,441
Accts. Rec. from U. S. Gov.	5,905	15,357	+ 9,452
TOTAL CURRENT ASSETS	589,654	978,972	+ 389,318
Net Property	383,189	746,348	+ 363,159
Investments	28,296	56,524	+ 28,228
Other Assets	31,575	1,112	— 30,463
TOTAL ASSETS	$1,032,714	$1,782,956	+$750,242
LIABILITIES			
Debt Payable	$ 24,858	$ 204,000	+$179,142
Accounts Payable	53,200	76,601	+ 23,401
Accruals	57,208	90,344	+ 33,136
Tax Reserve	162,802	206,374	+ 43,572
TOTAL CURRENT LIABILITIES	298,068	577,319	+ 279,251
Reserves	61,616	42,000	— 19,616
Long Term Debt	162,724	154,914	— 7,810
Preferred Stock	93,389	93,389	
Common Stock	283,574	303,460	+ 19,886
Surplus	133,343	611,874	+
TOTAL LIABILITIES	$1,032,714	$1,782,956	+$750,242
WORKING CAPITAL	$ 291,586	$ 401,653	+$110,067
CURRENT RATIO	1.9	1.7	— .2

THE CINCINNATI MILLING MACHINE CO.

BUSINESS: The company ranks as one of the largest producers of machine tools. It has built a foremost position as a producer of milling machines, grinders, broachers, lathes, drilling machines and other machine tools for the metal working and many other industries. Other products include surface hardening machines, cutting fluids, ceramics, and chemicals.

OUTLOOK: Cincinnati Milling Machine, one of the oldest companies in the field having been established almost 71 years ago, has developed into a world-wide organization operating plants in this country and through wholly-owned subsidiaries plants in England and The Netherlands where a new plant went into operation in mid-1954 for the manufacture of a special line of machine tools for the European market. A wholly-owned domestic subsidiary—Carlisle Chemical Works, Inc.—in addition to producing cutting fluids for the metal-working and other industries, also manufactures specialty items for the food, soap, chemical and building materials industries. While the company's machine tool sales have increased substantially in recent years because of accelerated activity of industry to fill defense orders and to keep in step with the trend toward increased automation, the company's other lines have also shown gains in volume. Another contributor to the uptrend has been the broadening of machine tool lines to meet new manufacturing techniques in the aircraft, automotive and other fields, and the development of new tools for the machining of titanium; atomic, jet engine and guided missile production, and the generation and control of supersonic wind velocities in wind tunnels. Notwithstanding the fact that excess profits tax last year took about $8.58 a share of common stock out of net income, earnings applicable to 850,000 outstanding shares was equal to $12.76 each. This year, with the elimination of EPT, it is estimated net for the common will run close to $14 a share, an outlook that again gives rise to the expectation of a liberal year-end extra dividend, or a possible stock-split. The company, however, has made no reference to any action along these lines.

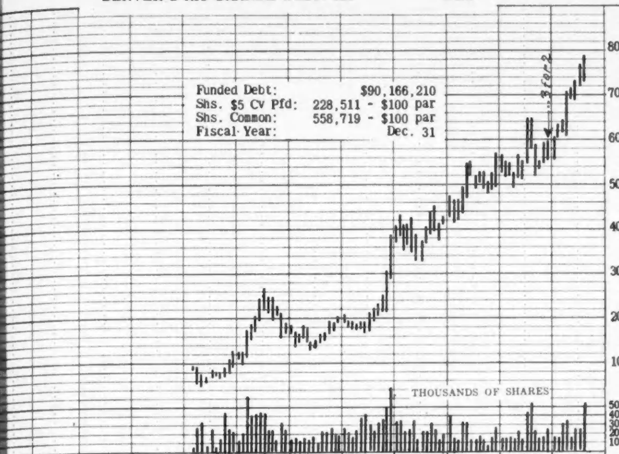
DIVIDENDS: Since 1948, payments have progressively increased, distributions in 1953 totaling $3 plus $1 a share extra. The current quarterly rate is 75 cents a share.

MARKET ACTION: Recent price of 77, compares with a 1953-54 price range of High—84¼, Low—35⅝. At current price, the yield on $4 annual basis is 5.1%.

COMPARATIVE BALANCE SHEET ITEMS

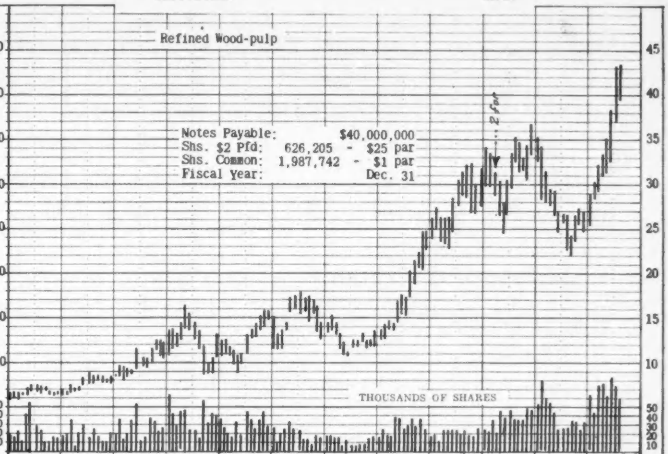
	Dec. 31 1945	Jan. 2 1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 20,183	$ 17,165	—$ 3,018
Receivables, Net	4,303	16,281	+ 11,978
Inventories	9,328	21,705	+ 12,377
Other Current Assets	3,847		— 3,847
TOTAL CURRENT ASSETS	37,661	55,151	+ 17,490
Net Property	2,253	10,765	+ 8,512
Investments	6,176	6,226	+ 050
Other Assets	569	3,453	+ 2,884
TOTAL ASSETS	$ 46,659	$ 75,595	+$ 28,936
LIABILITIES			
Accounts Payable	$ 2,984	$ 7,989	+$ 5,005
Accruals	1,000	1,874	+ 874
Accrued Taxes	5,036	5,520	+ 484
TOTAL CURRENT LIABILITIES	9,020	15,383	+ 6,363
Reserves	14,942	15,409	+ 467
Preferred Stock	4,887	4,887	
Common Stock	7,331	8,500	+ 1,169
Surplus	10,479	31,416	+ 20,937
TOTAL LIABILITIES	$ 46,659	$ 75,595	+$ 28,936
WORKING CAPITAL	$ 28,641	$ 39,768	+$ 11,127
CURRENT RATIO	4.1	3.6	— .5

DENVER & RIO GRANDE WEST. RR — DGR



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.					4.70	10.21	4.22	8.32	12.05	12.29	14.26	E13.00
DIV.					-	1.33⅓	1.33⅓	1.33⅓	2.00	2.66⅔	6.00	
Wkg Cap $ Mil					20.0	14.6	22.9	25.2	26.4	28.0	23.5	

RAYONIER — RNR



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	.23	.31	.13	.84	3.65	4.55	2.38	5.58	4.92	4.90	4.72	
DIV.	.31½	-	-	-	.25	.62½	1.00	1.25	1.50	1.87½	1.50	
Wkg Cap $ Mil	5.7	5.0	6.2	7.6	16.4	15.5	14.1	19.2	24.7	28.5	34.7	

THE DENVER & RIO GRANDE WESTERN RAILROAD

AREA SERVED: Directly operated lines comprising approximately 2,305 miles serves various points in Colorado and Utah, and extends from Denver to Salt Lake City and Ogden, the freight gateway to the Pacific Northwest. The main line is the central link in a short trans-continental route, via the road's Dotsero Cut-off, between Chicago and San Francisco.

OUTLOOK: Although the Denver & Rio Grande Western benefited from heavy traffic movment over its lines generated by the action in Korea, much of its growth from the standpoint of operating revenues and net earnings is a reflection of expanding industrial activity in its own territory and that which it directly serves, and tight control of operating expenses aided by additions and betterments of right of way, equipment and rolling stock, including further strides toward complete dieselization. In connection with the latter, approximately 97.6% of Rio Grande's one billion gross on miles per month during 1953 was produced by diesel-electric power. Railway operating revenues for that year were at an all-time peak of $84.7 million. Net earnings on the common stock outstanding at that year's end was equal to $14.79 a share. On the basis of results for the first eight months of 1954, railway operating revenues for the full year will fall short of matching the 1953 total but, net earnings, it is estimated, will approach the 1953 figure. For the eight months, net on the basis of present capitalization was equal to $7.59 a share for the common stock, as compared with $7.20 for the first eight months of 1953. This showing reflects a more favorable tax position, due in part to writing off of abandoned property; virtual completion of roadway improvement program, permitting reduction of maintenanice costs, and management's ability to cut transportation costs. Before the end of he year, all of the road's $5 preferred stock will be redeemed or converted into common shares, leaving the latter issue as the only capital stock outstanding. Allowing for full conversion, net earnings for the common should average out at nearly $12 a share this year, providing a solid base for a more liberal dividend rate.

DIVIDENDS: Cash dividends in 1953, amounting to $6 a share, were supplemented by payment of 50% in stock. Distribution in 1954 has been at a quarterly rate of $1.25.

MARKET ACTION: Recent price of 82, compares with a 1953-54 price range of High—84, Low 49⅜. At current price, the yield is 6.1%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1947	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 28,404	$ 31,911	+$ 3,507
Receivables, Net	6,675	6,958	+ 283
Materials & Supplies	7,825	6,025	— 1,800
Other Current Assets	8[illegible]	393	— 496
TOTAL CURRENT ASSETS	4[illegible]	45,287	+ 1,494
Road & Equipment	[illegible],572	251,396	+ 39,824
Acquisition Adj., etc.	. 23,406	cr. 23,246	— 160
Accrued Deprec. & Amort.	cr. 49,919	cr. 56,499	+ 6,580
Invest. & Capital Funds, etc.	8,149	6,008	— 2,141
Other Assets	638	953	+ 315
TOTAL ASSETS	$190,827	$223,899	+$ 33,072
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 23,780	$ 21,754	—$ 2,026
Other Liabilities	347	151	— 196
Unadjusted Credits	4,346	714	— 3,632
Long Term Debt	84,522	90,166	+ 5,644
Preferred Stock	32,531	22,850	— 9,681
Common Stock	35,168	58,873	+ 23,705
Surplus	10,133	29,391	+ 19,258
TOTAL LIABILITIES	$190,827	$223,899	+$ 33,072
WORKING CAPITAL	$ 20,013	$ 23.533	+$ 3,520
CURRENT RATIO	1.8	2.1	+ .3

RAYONIER INCORPORATED

BUSINESS: Ranks as the foremost producer, principally from pine and hemlock, of chemical cellulose sold under the company's brand names in an increasing number of markets for manufacture of acetate yarn and staple fiber, tire cords and tire fabrics, cellophane, fine papers, viscose rayon and staple fiber, cellulose sponges, extruded plastics, transparent containers, acetate photographic film, and many other products. The company also produces fine papers and paper pulps.

OUTLOOK: As a manufacturer of cellulose, Rayonier is a completely integrated unit. It derives its supplies of the basic raw material from its own tree plantations located in Florida, Georgia and Washington, and operates five mills, the latest of which at Jessup, Ga., scheduled to go into operation some time this year. This new mill, of the most modern type, incorporating important engineering innovations, will be capable of producing a wide range of chemical cellulose grades, including a new type of pulp for high tenacity yarn applications such as tire cord, parachute materials, and rubber belting. This new mill with an initial capacity of 87,000 tons per year, will expand Rayonier's chemical cellulose output to 572,000 tons annually, representing an increase of 75 percent since World War II, and reflects part of $85 million expnditures for a major construction program, including additions to necessary timber reserves. A combination of major mill improvements resulting in the production of a wider range of grades of chemical cellulose, and research on which the company places great emphasis developing new products, provide the basis for its current strong position. Last year, net sales amountd to $73.3 million, and after taxes, including $1,435,000 in EPT, net income of $10.6 million was equal to $4.72 a share for the common stock. For the first six months of 1954, net sales ran substantially ahead of the like period last year, increasing to $40.9 million from $36 million, with net income available for the common stock increasing from $2.37 a share to $2.67 for the six months to June 30, last. Through research other new products have been developed that are expected to soon enter the production stage while at the same time Rayonier is expanding markets here and abroad.

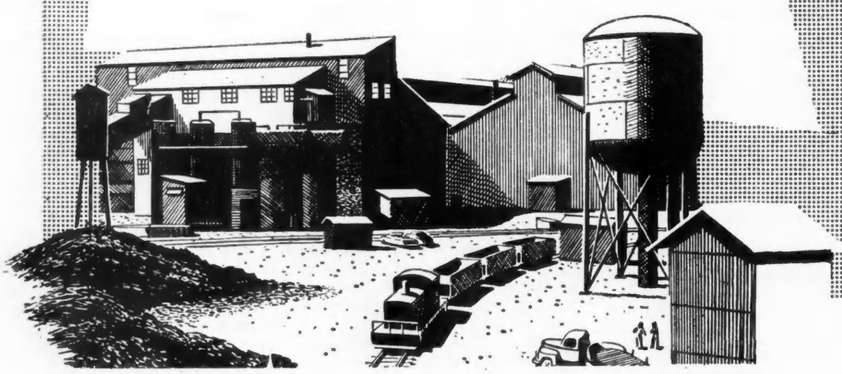
DIVIDENDS: Payments made in each year since 1947. Since the 2-for-1 split in 1952 dividends amounted to $1.50 annually, and were increased to $2 per year in August, 1954.

MARKET ACTION: Recent price of 46⅜, compares with a 1953-54 price range of High—50⅝, Low—22½. At current price, the yield is 4.3%.

COMPARATIVE BALANCE SHEET ITEMS

	April 30 1944	June 30 1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 934	$ 22,211	+$ 21,277
Receivables, Net	2,574	6,891	+ 4,317
Inventories	3,822	12,720	+ 8,898
Advances	271	806	+ 535
TOTAL CURRENT ASSETS	7,601	42,628	+ 35,027
Net Property	22,330	52,534	+ 30,204
Timberlands & Timber		22,274	+ 22,274
Investments	032	3,025	+ 2,993
Other Assets	470	1,374	+ 904
TOTAL ASSETS	$ 30,433	$121,835	+$ 91,402
LIABILITIES			
Notes Payable	$ 500		—$ 500
Accounts Pay. & Accru.	1,764	$ 4,943	+ 3,179
Tax Reserve	337		— 337
TOTAL CURRENT LIABILITIES	2,601	4,943	+ 2,342
Other Liabilities	084		— 084
Long Term Debt	3,427	40,000	+ 36,573
Preferred Stock	15,655	23,483	+ 7,828
Common Stock	964	1,990	+ 1,026
Surplus	7,702	51,419	+ 43,717
TOTAL LIABILITIES	$ 30,433	$121,835	+$ 91,402
WORKING CAPITAL	$ 5.000	$ 37,685	+$ 32,685
CURRENT RATIO	3.0	8.6	+ 5.6

Stocks That Have Made Successive Yearly Highs



By JOHN D. C. WELDON

Contrary to a belief held by some inexperienced market traders and investors and, for that matter, by some of the more experienced in these two groups, all stocks, i.e., the good grade issues, do not move up in unison with a rising market, nor do per share earnings of all companies with demonstrated earning power register year to year gains in a prolonged era of general prosperity.

The odds against a steady uptrend in stock prices, or successive gains in per share earnings year after year, are extremely high. This has been particularly true in the four years beginning with 1950 and ending with 1953. These were the years when the Federal excess profits tax was in effect, taking huge bites out of the operating profits of a number of companies. The Government, through this impost and the normal income tax, in many cases took more, on the basis of outstanding common shares of certain companies, than these companies were able to show as net earnings per share for any one or for all of the four years.

In any event, the excess profits tax acted as a brake upon earnings gains for many companies. This is exemplified by R. J. Reynolds Tobacco Co.'s showing for 1949 when EPT did not exist, and for 1953, when the tax was still in effect. In the earlier year, net income, after allowing for state income taxes, amounted to $65.2 million. Out of this sum the Federal normal income tax took $24.7 million, leaving $40.4 million as net income. This was equal to $3.75 a share for the combined common stocks now outstanding. In 1953, net income before Federal taxes was $97.1 million. The Federal normal income tax took $50.9 million of this sum which shriveled to $34.1 million after payment of slightly more than $12 million in EPT. The net result was earnings of $3.12 a share for the combined common stocks, 63 cents a share less than in 1949, notwithstanding steady uptrend in operating profit from $73.8 for 1949, to $107.7 million for 1953.

Charges Against Earnings

Other companies have had their earnings trends in the last few years distorted by fast tax write-offs on facilities covered by Certificates of Necessity. These are charges which, while substantially reducing the provision for taxes on income, cut more heavily into net earnings as reported in one year or another. The period also was one of expansion for many companies. Starting up of new facilities more often than not involved higher than normal operating costs and time, in greater or less amount, was generally required to bring new facilities to a profitable operating level.

All of the foregoing worked against the ability of a number of companies to register year to year earnings gains even in a period of expanding economy. In addition, it would be an exceptional industrial enterprise that would not be subject to normal setbacks from time to time which if depicted on a chart would form a wavering line for earnings, even though the general course of that line would be upward. Much the same sort of a picture would show the course of the market price of its stock. It would be a rare performance, indeed, for the equity of any corporation, no matter how highly it might rank in growth potential and as an investment, to move consistently upward in market price from one year to the next over a period of years. Extraneous forces of a temporary nature, having no direct bearing upon a particular stock, may interrupt the uptrend from time to time.

Rarer still would be an uninterrupted upward course of both earnings and market price over an extended period of time measured in years. There

are such rarities, but necessarily few in number when compared with the approximately 1,100 issues of common stock which have their market on the New York Stock Exchange. To this limited number, however, could be added those companies which, during the years ending with 1950 through to and including 1954,—net for the latter year being estimated—recorded an upward trend in earnings in every one of the four years, but whose shares in some one year of the four even faltered, though only fractionally, in their market upswing, but yet achieved new four year market highs (*Please turn to page* 170)

17 Stocks in Four-Year Uptrend

	1951	1952	1953	1954*
Bendix Aviation				
Earned Per Share ($)	5.58	7.22	8.20	9.50
High Price for Year	59⅞	64	68¼	99
Boeing Airplane				
Earned Per Share ($)	2.20	4.34	6.26	10.00
High Price for Year	18½	20⅝	25⅛	69¼
Columbia Broadcasting "A"				
Earned Per Share ($)	2.72	2.75	3.80	4.10
High Price for Year	35⅜	40¼	50½	75¼
Continental Can				
Earned Per Share ($)	4.61	4.22	4.29	5.00
High Price for Year	45½	48¼	58¼	77¼
Douglas Aircraft				
Earned Per Share ($)	2.88	4.50	7.73	14.00
High Price for Year	33⅜	32¾	43⅞	92½
Ex-Cell-O Corp.				
Earned Per Share ($)	5.24	6.75	7.05	10.00
High Price for Year	53	55½	59¾	78
Gen. Amer. Transportation				
Earned Per Share ($)	2.88	3.03	3.38	4.75
High Price for Year	29⅜	31⅞	40½	57¼
General Dynamics				
Earned Per Share ($)	4.53	5.72	7.01	8.00
High Price for Year	27⅝	45⅝	46¾	75⅝
General Electric				
Earned Per Share ($)	1.60	1.75	1.92	2.25
High Price for Year	21¼	24¼	30¾	48½
General Motors				
Earned Per Share ($)	5.64	6.26	6.69	8.00
High Price for Year	54	69½	69¾	94⅞
Ingersoll-Rand				
Earned Per Share ($)	9.80	10.08	10.69	11.25
High Price for Year	91½	96¾	101	146
Minnesota Mining & Mfg.				
Earned Per Share ($)	1.92	1.96	2.14	2.75
High Price for Year	54	48¼	60¼	74½
National Dairy Products				
Earned Per Share ($)	2.08	2.12	2.32	2.60
High Price for Year	25⅞	30	33¼	41¾
National Lead				
Earned Per Share ($)	2.05	2.06	2.54	3.00
High Price for Year	33½	33	38¾	55¾
Radio Corp. of America				
Earned Per Share ($)	2.02	2.10	2.27	2.35
High Price for Year	25¼	29⅜	29⅜	35
Sperry Corp. (New)*				
Earned Per Share ($)	2.68	3.37	3.62	5.00
High Price for Year	18⅜	22⅝	24½	38¾
United Aircraft				
Earned Per Share ($)	4.06	5.18	6.23	6.75
High Price for Year	33⅝	38½	50⅜	68⅜

COMMENTS

BENDIX AVIATION—Continued diversification in products for the military and varied civilian uses presages sustained high earnings and further growth. Present holdings should be retained as long-term investment, although new commitments should be deferred pending development of more favorable purchasing opportunity.

BOEING AIRPLANE—The meteoric rise in this issue this year does not appear to have been excessive on basis of current and potential 1955 earnings. Holders of the stock, bought at much lower levels, might, however, sell a portion of their shares at present price to mark down costs. New commitments can be made on possible price weakness.

COLUMBIA BROADCASTING—Long-range growth potential of television and company's strong position as a producer of records, record players, and TV equipment warrants retention of stock. At current price, the shares, however, appear to have fairly well discounted immediate outlook.

CONTINENTAL CAN—Strongly entrenched as a can manufacturer. Has expanded capacity and broadened diversification in paper and plastic containers. Continued expansion should increase earning power. Recent high price appears to have discounted immediate outlook, but current holdings are worth retaining on basis of longer-term growth potentials.

DOUGLAS AIRCRAFT—With an order backlog of $1,902 million as of June 30, last, Douglas, considering its good diversification and engineering ability to develop new and more advanced planes for military and commercial use, should continue to produce earnings in the coming year comparable with those estimated for 1954. Stock, although not immune to volatile market action, can be retained for its satisfactory yield and long-range potential.

EX-CELL-O—Earnings from cyclical machine tool business should be augmented substantially by sustained demand for jet engine and aircraft parts as well as from its expanding "Pure-Pak" packaging machinery division. On basis of indicated earnings stock at current market level does not appear to be over-priced. Retention over the near-term recommended.

GENERAL AMERICAN TRANSPORTATION—Earnings from its profitable and expanding railroad car leasing business being supplemented through consistent expansion in diverse fields of manufacturing. A sound investment that is worth retaining for stable income and growth potenials.

GENERAL DYNAMICS—Recent reaction from 1954 high of 75⅝ per share, a natural development following the stock's rapid climb from the year's low of 36. Growth potentials in aircraft, nuclear energy and other fields in which the company operates makes stock worth retaining for its long-range possibilities.

GENERAL ELECTRIC—Increasing product diversification in its many and varied fields promises continued growth for this company which is of the first magnitude. While present market price appears to have discounttd immediate outlook, the stock should be retained as a long-term investment.

GENERAL MOTORS—Strong competitive position in the automotive industry, together with its diversified activity in household appliances and industrial equipment, as well as sustained high volume of defense business, provide a broad base for continued good earnings. Stock should be retained for its satisfactory yield and longer-range growth potentials.

INGERSOLL-RAND—At current price around 145, stock appears to be rather amply priced. Proposed 3-for-1 split, however, should create increased investor interest in the shares and make for a broader market. We would continue to hold the issue for its stable income and longer-term price appreciation for the proposed new shares.

MINN. MNG. & MFG.—On the surface, this issue, at its recent high, appears to have given full consideration to immediate earnings prospects. The stock, however, should be viewed as a long-range holding based on the company's continued growth increasing sales of established lines and new products development.

NATIONAL DAIRY—This issue, recently split on a 2-for-1 basis is worth retaining for stable dividtnd income. The stock may be purchased on a reaction.

NATIONAL LEAD—Consistent expansion in company's current lines expanding growth prospects which are heightened by the potentials in titanium and atomic developments. The stock, recently raised to a $2 annual dividend basis should be held as a long-term investment.

RADIO CORP. OF AM.—Strong basic patent position and wide diversity of interests in radio, television and related electronic fields provides broad base for long-term growth. Has good near-term outlook which increases stock's attraction for its longer-term speculative possibilities.

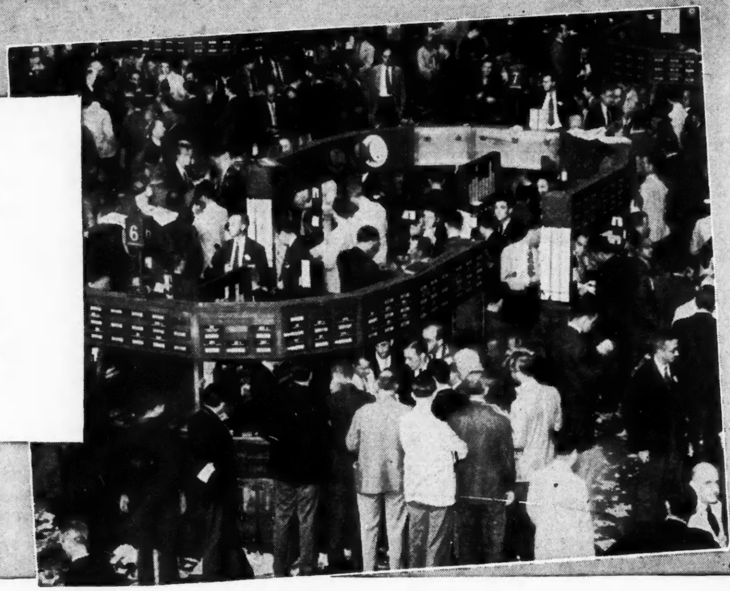
SPERRY CORP.—Continued high level of defense business and increasing diversification in civilian products presages earnings stability for this issue recently split 2-for-1. The new shares do not appear to be overvalued at current market price and should be retained for good yield and speculative potential.

UNITED AIRCRAFT—This company, a leading producer of aircraft engines, including jet and turboprop units is in a good position to benefit from sustained sales of these products, as well as from increased demand for its Sikorsky helicopter for both miliary and civilian use. Current market price of its shares in ratio to estimated 1954 earnings does not appear to be excessive.

***—Note: 1954 earnings estimated—1954 market prices are high to-date.**

****—Adjusted for stock-split, effective 10/11/54.**

FOR PROFIT AND INCOME



Television

Contrary to earlier fears, accelerating progress in development of color television is not having an adverse effect on unit sales of standard (black and white) receiving sets. After months of adjustment, trade inventories are in healthier condition and demand has improved. Factory output in August was 633,387 units, the highest 1954 monthly total to date; and moderately above the year-ago level. A number of makers have raised their selling prices recently. Demand is mostly for the lowest-priced table models, carrying a modest profit margin for manufacturers. It is evidently being stimulated by the increased number of "big" TV shows. Many buyers appear willing to pay $150 to $200 for present sets, figuring on trading in for color sets at some indefinite future time when their prices come down materially, perhaps to the vicinity of $500. At present, a 19-inch Motorola color set lists at $895. A 21-inch Radio Corp. color set, listing at the same price, is near the marketing stage. Most set makers are biding their time on color, unwilling to make the jump until tube sizes and quality become more standardized. Profits on color TV are not near, but possibilities are stirring speculative interest.

A Speculative "Package"

In the quarter ended September 30, Lehman Corp., a shrewdly-managed closed-end investment trust bought 15,000 shares of Admiral Corp., 10,000 shares of Philco and 5,000 shares of Motorola. Our choice of a speculative "package" of television growth stocks would be Columbia Broadcasting, Motorola and Zenith. Admiral and Philco have a rather high content of household appliances other than TV sets. Radio Corp. is the leader in the field, but the stock is far from cheap on foreseeable earnings and dividends and, therefore, mostly suitable for investors with long-range objectives. It has so far been the most popular stock, both in the TV group and among all Big-Board issues, with investors accumulating shares under the Exchange's Monthly Investment Plan. The ten next most popular issues with MIP buyers are, in order, Dow Chemical, General Motors, American Telephone, General Electric, Standard Oil (New Jersey), Tri-Continental Corp. (investment trust), duPont, Long Island Lighting, International Nickel and U. S. Steel.

MIP buyers have departed from the beaten path of investment popularity, as indicated by total market valuations of leading stocks and by the largely standardized choices of institutional investors, only as regards Radio Corp., Tri-Continental, Long Island Lighting and International Nickel. Most of the others are among the favorites of institutional funds. Nickel and RCA are among lesser holdings of some funds (mostly mutual or other investment trusts). It should be noted that total MIP buying so far has been fairly modest, the latest data showing even the most popular issue (RCA) in only 1,249 of these accounts. In terms

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Ex-Cell-O Corp.	9 mos. Aug. 31	$8.39	$4.79
Kaiser Aluminum & Chem.	Quar. Aug. 31	1.29	.85
Beatrice Foods Co.	Quar. Aug. 31	.97	.86
Grand Union Co.	Quar. Aug. 28	.88	.75
Hooker Electrochemical	Quar. Aug. 31	.81	.69
Texas Utilities	12 mos. Aug. 31	3.51	3.25
Caterpillar Tractor	8 mos. Aug. 31	4.08	3.67
Raytheon Mfg. Co.	Quar. Aug. 31	.44	.35
Universal Pictures	9 mos. July 31	2.49	1.87
Vick Chemical	Year June 30	4.21	3.18

of total market value, the ten leading Big Board stocks are American Telephone, General Motors, du Pont, Standard Oil (New Jersey), General Electric, Union Carbide, Texas Company, Standard Oil of California, Sears, Roebuck; and Socony-Vacuum. All of these are among the favorites of investment trusts, although not in the order listed. A. T. & T. is well down in the list of most popular issues with them, since it is primarily an income stock. Apart from the others heretofore cited, some of the largest investment-trust holdings are Amerada Petroleum, Continental Oil, International Paper, Goodrich, Gulf Oil and Westinghouse Electric.

Groups

At this writing the market is reactionary, following these indications of "tiredness" after unusually sharp rise through the greater part of September: (1) inability of the industrial average to better its best September level by more than a nominal margin; and (2) failure of both the rail and utility averages to rally back to, much less advance above their August highs, which stand as their bull-market tops to date. Stock-group behavior in a reaction can change from day to day. Subject to that reservation, groups currently showing relatively good support include air lines, liquor, cement stocks, finance companies, proprietary drugs, steel and variety chains. So far, as would be expected, larger-than-average retreats center mostly in groups which had sharp prior advances, especially in recent weeks, including automobiles, chemicals, copper and other metal issues, electrical equipments, textiles and movies. Following some moderate recovery, the cigarette stocks have sagged again under the impact of another medical "blast" on linkage of lung cancer to smoking. These issues probably were pretty well sold out around prior lows this year. Either support above those lows, or violation of them, could be of considerable technical significance.

Stocks

Interest always attaches to stocks which show strength during a general market sell-off. Here are some which have moved counter to a receding market in recent sessions up to this writing: Alpha Portland Cement, Briggs & Stratton, Eastern Air Lines, General Portland Cement, Gould National Batteries, Western Air Lines, Weston Electrical Instrument, Kansas City Southern, Southern Railway, National Sugar Refining, Outboard Marine & Mfg., Penn-Dixie Cement, Allied Stores, Allis Chalmers, Colgate-Palmolive and U. S. Gypsum.

High

With construction still booming and all indications pointing to a large amount of highway building for an extended time to come, the outlook is favorable for cement makers. However, all cement stocks have had a large rise. They are generally high on foreseeable earnings. They are still cyclical-type issues; and, in most cases, even allowing for probable moderate boosts in dividends, yields are well below average.

Others

There are many basically good stocks which are high on earnings and dividends, and which can not rate as particularly attractive for new buying (except on a "dollar-averaging" basis) unless their prices are marked down materially in market reaction. Some examples are National Cash Register, Food Machinery & Chemical, Eastman Kodak, National Lead, American Can, Sears, Roebuck, Rohm & Haas, Union Carbide, Goodrich, General Electric, Corning Glass Works, Owens-Corning Fiberglass, Minnesota Mining & Manufacturing, Minneapolis-Honeywell, International Harvester, and Procter & Gamble.

Reasonable

Some stocks of above-average quality (mostly cyclical-type) which are still reasonably priced on earnings and dividends are: Armco Steel, McGraw-Hill, Pullman, General Motors, Otis Elevator, National Gypsum, Inland Steel, Hiram Walker, U. S. Steel, Allis Chalmers, Briggs & Stratton, Anderson Clayton, and Sherwin-Williams.

For Income

After some 13 months of market advance, and despite current reaction, good-grade income stocks, offering attractive current yields from secure dividends, are, of course, not too numerous. A year ago one could figure many 6% yields as "good and reasonably secure". Today a "good" yield is 5% or moderately more. Some selected examples, with yields at this writing: American Telephone 5.3% (with maximum possible dividend certainty), Beneficial Loan 5%, Boston Edison 5.4%, Brown Shoe 5.3% (allowing for a probable $1 year-end extra), National Biscuit 5.6% (anticipating a 30-cent boost in the $2 rate or a like year-end extra), Mississippi River Fuel 5.3%, Ohio Edison 5.2%, Pacific Lighting 5.4% and Sterling Drug 5.2% (assuming a 25-cent extra).

Battle

The "hottest" of the new wonder drugs is a broad-spectrum antibiotic named tetracycline. It is being made by Pfizer and is competitive with that company's leading trademarked antibiotic Terramycin; by American Cyanamid, with whose highly profitable trademarked Aureomycin it is also competitive; and by Bristol-Myers for sale to and packaging by Squibb, Upjohn and others. A wonder drug can be a gold mine —at least until something better comes along—only if it is controlled by one maker under patent

(Continued on page 172)

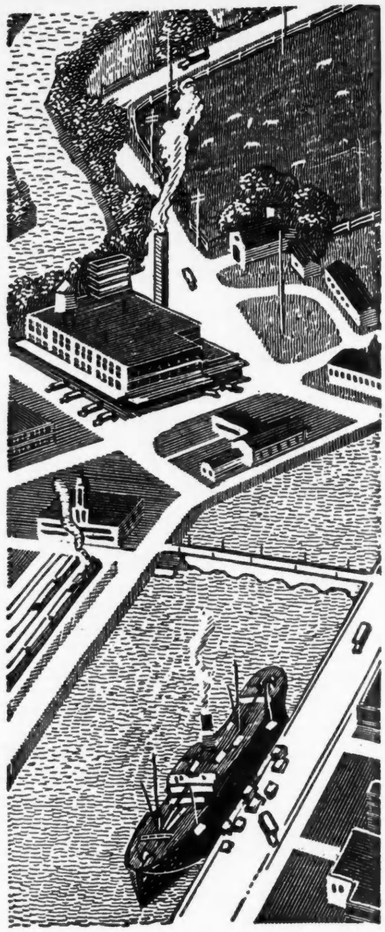
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Gimbel Bros.	6 mos. July 31	$ .14	$ .47
Howard Stores	6 mos. June 30	.39	.88
Grant (W. T.) Co.	6 mos. July 31	.58	.88
Lerner Stores	6 mos. July 31	.52	.74
Montgomery Ward & Co.	6 mos. July 31	1.80	2.31
Dayton Rubber Co.	9 mos. July 31	.58	2.10
Emerson Radio & Phonograph	39 weeks July 31	.59	1.21
Lee Rubber & Tire Corp.	9 mos. July 31	3.38	4.48
Smith-Corona, Inc.	Year June 30	1.10	3.14
Hecla Mining	Quar. Sept. 30	.07	.15

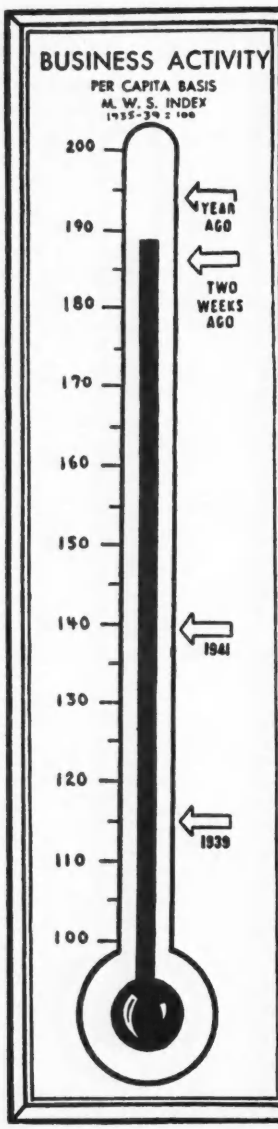
The Business Analyst

What's Ahead for Business?

By E. K. A.



Department store executives recently have been waxing optimistic on the outlook for business during the balance of this year, with some of them maintaining that Christmas business—usually concentrated in November and December—will be the best in history. Frankly, this optimism appears to be a bit overdone on the basis of the available evidence.



Preliminary data for October indicate that sales volume for that month, when all of the returns are in, will show a drop of two to three percent from October, 1953. Store executives are inclined to blame the lag in sales to the hurricane in the East and to unseasonably warm weather over much of the country, but the simplest answer would seem to be that people are not spending their money quite as freely as last year.

Department store sales during 1954 to date have run 2 percent under those in the comparable period in 1953. It is interesting to note that department stores have done no better and no worse than retailers generally for all retail sales, as computed by the Department of Commerce, were off by the same percentage during January-September.

However, any decline in sales hurts. Costs of doing business are rising even though sales volume is off. And, the keen competition for the consumer's dollar has forced stores to pare their markups sharply on a number of items. This has been particularly true in household appliances and furniture, where many department stores face the necessity of meeting the low prices quoted by discount houses or virtually discontinuing these departments where the "big ticket" items predominate.

During 1953, according to an analysis by Professor Malcolm P. McNair of the Harvard Graduate School of Business Administration, department store profits before taxes were only 5.2 percent. Taxes took half of this. Considering the fact that 1953 sales weer the largest in history, this is a rather poor showing. Professor McNair noted that, with the single exception of 1952, there has been no noticeable rise in the typical number of transactions. This he considers as a disturbing fact in the light of the country's economic growth during the 1946-53 period.

This year, with sales off a little and costs operation still rising, department store profits before taxes appear certain to drop below even the slim 1953 figure, with some stores showing no profit whatsoever. The expansion into the suburbs is continuing, but the costs of such expansion are high. In most instances, it has been found that branch stores gather in a portion of business that formerly came to the main store.

Self service, acclaimed by some executives a year or two ago as the only answer to combat the steadily rising cost of individual transactions, is not working out any too well. What stores refer to politely as "inventory shortages" tend to mount when sales forces are reduced.

Department store Christmas trade, by which is meant primarily November-December sales, probably will make no better showing in comparison with last year than have sales this year to date, i.e., down about two percent. Sentiment, it has been noticed, is not influencing consumers as much this year as in other postwar years. Last Spring, for the first time since the end of the war, department store sales during the week prior to Mother's Day failed to show an increase over the corresponding week the year before.

There are indications that department store executives actually are not so optimistic over business as they profess. For, suppliers complain that orders are lagging. Store stocks have been pared a bit over the past year in line with the drop in sales volume but still are a little on the high side.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Outstanding development in the bond marts during the first half of October has been the sudden upsurge of demand for new issues. The revival of buying was a boon to many underwriters who had been burdened by heavy accumulations of unsold wares resulting from the record September financing with additional flotations in early October adding to the load. By October 7, the backlog of unsold corporates had risen to $150 million and underwriters were understandably worried, but at this point demand picked up suddenly, helped along no doubt by the statement of Treasury Under-Secretary W. Randolph Burgess, intimating that the Treasury would not be in the market for long-term money this Fall. Sentiment also was aided by the Federal Reserve Board's early October purchase of $535 million of Treasury bills, the heaviest rate of buying this year and far in excess of the amount needed to provide member banks with adequate reserves to finance the Treasury's recent note sale. Reassured by these developments and attracted by the somewhat better yield that recent issues offer when compared to seasoned securities of similar grade, investors bought more freely and this has put underwriters in much better shape to handle the new crop of offerings. In the corporate field these consist mainly of public utility issues, the largest being a $75 million, New York Telephone refunding mortgage, due on October 19. An even bigger industrial borrowing is in the offing, namely the $100 million Continental Oil 30-year debenture which is expected October 27. Dealers in tax exempts, whose inventories in this field fell from $282 million at the beginning of October to $215 million on October 15, have a heavy calendar of new issues ahead of them and in addition, voters next month will be asked to approve an additional $1.5 billion of new borrowing by states and local governments, which is $570 million more than was submitted last year. New York State leads the list this year, asking approval of a $350 million issue for mental hospitals and $200 million for slum clearance.

The recent activity in the new issue market has had little effect on seasoned bonds, which followed a placid course in the first half of October. Among long-term Treasuries the Victory 2½s lost 1/16 during the period but the 3¼s of 1983-1978 gained ⅜. Corporate bonds were mostly unchanged with the yield on an average of best-grade corporates holding at 2.88% while a similar grade of tax-exempts also held steady at a 1.97% yield.

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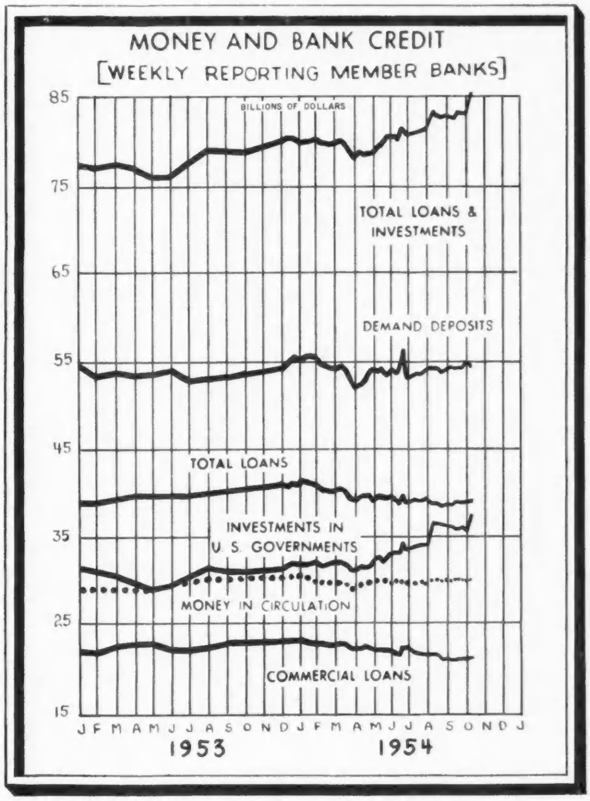
TRADE—Retailers did $14,047 million worth of business in September, a seasonal advance from August's $13,915 million, but slightly under the $14,082 million dollar volume of September, 1953, according to preliminary estimates by the Commerce Department. Biggest year-to-year drop was in the automotive group where sales fell 8%. On the other hand, food sales last month were 2% better than a year ago. Retail volume thus far in October has been hampered by the unseasonably warm weather which has hobbled demand for Winter clothing. Total retail sales for the week ending Wednesday, October 13, were about 1% under the corresponding 1953 period, according to estimates by Dun & Bradstreet. Although auto sales were substantially below a year ago, they are running above current output and dealers' stocks have been reduced to low levels.



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INDUSTRY—The Federal Reserve Board's index of industrial production was unchanged in September, on a seasonally adjusted basis, at 124% of the 1947-1949 average. At this level, output was 7.3% under a year ago. Production thus far in October has picked up a bit from September levels, according to the MWS Business Activity Index which is seasonally adjusted. This index rose to 189.0 in the week ending October 9, as against a September average of 187.0. Components of the index which were higher in October included production of coal, electric power, lumber and steel ingots.

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COMMODITIES—The general run of commodities were firm in the week ending Tuesday, October 12, and the Bureau of Labor Statistics' comprehensive commodity index rose 0.1%, to 109.7% of the 1947-1949 average. Farm prices were up

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Aug.	3.2	2.9	3.8	1.6
Cumulative from mid-1940	Aug.	561.0	557.8	514.0	13.8
FEDERAL GROSS DEBT—$b	Oct. 12	278.8	278.9	273.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Oct. 6	54.3	55.0	53.0	26.1
Currency in Circulation	Oct. 13	30.2	30.1	30.4	10.7
BANK DEBTS—(rb3)**					
New York City—$b	Aug.	60.1	63.0	46.9	16.1
344 Other Centers—$b	Aug.	95.1	95.6	90.7	29.0
PERSONAL INCOME—$b (cd2)	Aug.	285.4	285.7	286.4	102
Salaries and Wages	Aug.	196	196	201	66
Proprietors' Incomes	Aug.	48	48	47	23
Interest and Dividends	Aug.	24	24	23	10
Transfer Payments	Aug.	16	16	14	10
(INCOME FROM AGRICULTURE)	Aug.	15	15	14	3
POPULATION—m (e) (cb)	Aug.	162.7	162.4	159.9	133.8
Non-Institutional, Age 14 & Over	Aug.	116.3	116.2	115.2	101.8
Civilian Labor Force	Aug.	65.5	65.5	64.6	55.6
Armed Forces	Aug.	3.3	3.3	3.4	1.6
unemployed	Aug.	3.2	3.3	1.2	3.8
Employed	Aug.	62.3	62.1	63.4	51.8
In Agriculture	Aug.	6.9	7.5	7.5	8.0
Non-Farm	Aug.	55.3	54.7	55.9	43.2
Weekly Hours	Aug.	42.2	38.4	43.1	42.0
EMPLOYEES, Non-Farm—m (lb)	Sept.	48.5	48.0	50.2	37.5
Government	Sept.	6.7	6.5	6.6	4.8
Trade	Sept.	10.5	10.4	10.5	7.9
Factory	Sept.	12.6	12.4	14.1	11.7
Weekly Hours	Sept.	39.7	39.7	39.9	40.4
Hourly Wage (cents)	Sept.	1.81	1.79	1.79	77.3
Weekly Wage ($)	Sept.	71.86	71.06	71.42	21.33
PRICES—Wholesale (lb2)	Oct. 12	109.7	109.6	110.2	66.9
Retail (cd)	July	209.6	209.0	210.1	116.2
COST OF LIVING (lb2)	Aug.	115.0	115.2	115.0	65.9
Food	Aug.	113.9	114.6	114.1	64.9
Clothing	Aug.	103.7	104.0	104.3	59.5
Rent	Aug.	128.6	128.5	125.1	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Aug.	14.2	14.3	14.1	4.7
Durable Goods	Aug.	4.8	4.9	4.9	1.1
Non-Durable Goods	Aug.	9.4	9.4	9.2	3.6
Dep't Store Sales (mrb)	Aug.	0.85	0.84	0.85	0.34
Consumer Credit, End Mo. (rb)	Aug.	27.9	27.8	27.8	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Aug.	22.7	22.6	22.3	14.6
Durable Goods	Aug.	10.0	9.7	10.1	7.1
Non-Durable Goods	Aug.	12.7	12.9	12.2	7.5
Shipments—$b (cd)—Total**	Aug.	23.7	24.1	25.1	8.3
Durable Goods	Aug.	11.0	11.3	12.7	4.1
Non-Durable Goods	Aug.	12.6	12.8	12.3	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Aug.	78.1	78.3	81.6	28.6
Manufacturers'	Aug.	43.9	44.2	46.9	16.4
Wholesalers'	Aug.	11.8	11.8	11.9	4.1
Retailers'	Aug.	22.5	22.4	22.8	8.1
Dept. Store Stocks (mrb)	Aug.	2.5	2.5	2.6	1.1
BUSINESS ACTIVITY—1—pc	Oct. 9	189.0	188.9	193.4	141.8
(M. W. S.)—1—np	Oct. 9	236.3	236.0	237.7	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 157)
0.8% in the latest week, mainly the result of higher prices for cattle, some grains and fresh fruits and vegetables. Processed foods gained 0.1% and meat prices rose 0.9%. Among industrial commodities, higher prices for crude rubber, steel scrap, brass and inedible oils were counterbalanced by declines in hides, tin and wool tops.

* * *

CONTRACT AWARDS for new construction rose to $1,816 million in September, 15% ahead of August and 4% above September, 1953, according to data for the 37 states East of the Rockies, compiled by F. W. Dodge Corporation. Residential construction awards were the only category to top year-ago levels, and at $777 million they were a massive 53% ahead of the corresponding 1953 month. Nonresidential contracts at $647 million last month were 17% under the similar 1953 period and heavy engineering awards at $392 million were down 13% from last year. For the first nine months of 1954, contract awards were at an all-time high of $14,477 million, 13% ahead of the January-September period of 1953. The high rate of construction awards in recent months seems to assure very active building activity at least until well into the new year.

* * *

Individuals boosted their **LIQUID SAVINGS** by $3.5 billion in the second quarter, the same rate of increase as during the previous quarter but $400 million ahead of the savings rate in the April-June period of 1953. The latest addition brought liquid savings for the first half to $7.0 billion and boosted individuals' total liquid savings to about $388 billion. During the second quarter, savings in the form of insurance, time deposits and shares in savings and loan associations showed little change from previous rates of increase. Holdings of currency and demand deposits rose sharply but new investments in corporate securities and in federal, state and local obligations were under previous periods. Mortgage indebtedness rose by $1.9 billion in the latest period, the same rate of increase as a year ago, while consumer debt was up $400 million versus a $1.2 billion rise in the second quarter of 1953.

* * *

Production of **TIRES** for passenger cars was hampered by strikes in August and output fell to 4,709,676 units, a decline of 16.0% from July and far below the 6,388,840 tires turned out a year ago, the Rubber Manufacturers Association has re-

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Sept.	124	124	133	93
Mining	Sept.	109	109	118	87
Durable Goods Mfr.	Sept.	135	135	152	88
Non-Durable Goods Mfr.	Sept.	116	115	117	89
CARLOADINGS—t—Total	Oct. 9	703	722	804	933
Misc. Freight	Oct. 9	348	258	394	379
Mdse. L. C. L.	Oct. 9	66	66	72	66
Grain	Oct. 9	48	55	53	43
ELEC. POWER Output (Kw.H.) m	Oct. 9	9,193	9,158	8,307	3,266
SOFT COAL, Prod. (st) m	Oct. 9	8.3	8.0	9.3	10.8
Cumulative from Jan. 1	Oct. 9	287.6	279.3	352.4	44.6
Stocks, End Mo.	Aug.	68.6	67.2	78.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Oct. 8	6.2	6.1	6.3	4.1
Gasoline Stocks	Oct. 8	152	152	140	86
Fuel Oil Stocks	Oct. 8	56	56	53	94
Heating Oil Stocks	Oct. 8	131	128	129	55
LUMBER, Prod.—(bd. ft.) m	Oct. 9	264	265	238	632
Stocks, End Mo. (bd. ft.) b	Aug.	8.9	9.0	8.0	7.9
STEEL INGOT PROD. (st) m	Sept.	6.8	6.7	8.9	7.0
Cumulative from Jan. 1	Sept.	64.2	57.4	85.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Oct. 14	259	193	269	94
Cumulative from Jan. 1	Oct. 14	11,280	11,021	12,218	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Oct. 9	261	281	232	165
Cigarettes, Domestic Sales—b	July	29	35	30	17
Do., Cigars—m	July	449	533	490	543
Do., Manufactured Tobacco (lbs.)m.	July	14	18	13	28

PRESENT POSITION AND OUTLOOK

ported. Shipments in August came to 6,961,615 casings or 10.9% under the prior month. With production in the latest month substantially below shipments, manufacturers' stocks on hand fell to 7,797,072 tires at the end of the month, from 10,063,142 a month before.

* * *

Expenditures for **NATIONAL ADVERTISING** in August were 1% under July but 8% ahead of a year ago, according to the seasonally adjusted index of Printers' Ink which in the latest month stood at 168% of the 1947-1949 average. Among individual media, magazine advertising in August was 4% ahead of a year ago while network television posted a 50% gain. Newspapers were handling 3% more advertising than last year and business papers were doing 2% better. Network radio continued to lag, dropping 18% behind a year ago and running at only 60% of the 1947-1949 average.

* * *

GAS SALES by utility companies during August amounted to 3,864 million therms, which was 6.5% ahead of a year ago, according to data from the American Gas Association. Steady gains in the number of customers and greater consumption per customer accounted for the rise.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

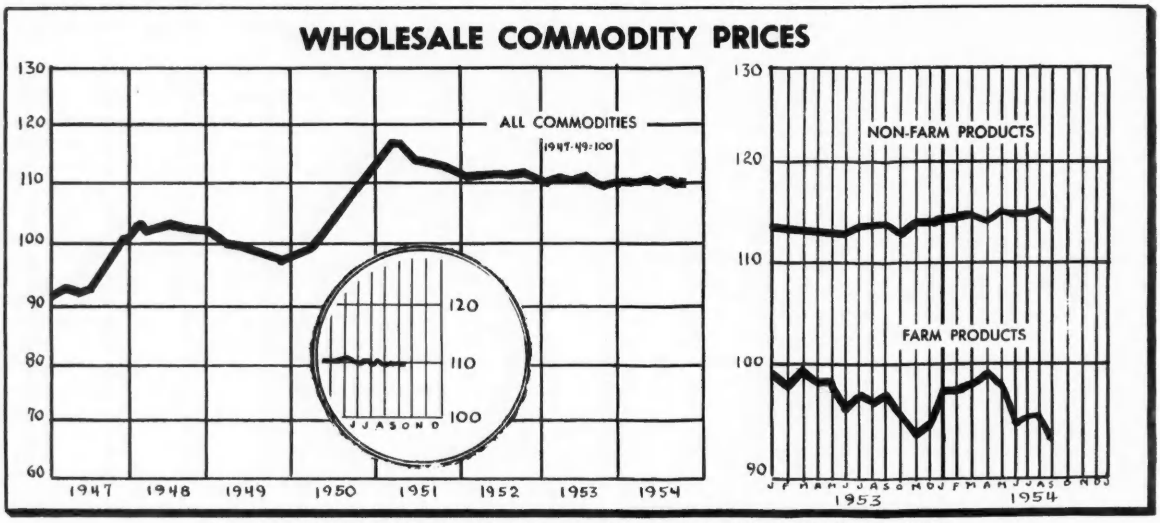
No. of Issues (1925 Cl.—100)	1954 Range High	Low	1954 Oct. 8	1954 Oct. 15
300 COMBINED AVERAGE	245.8	192.8	245.8	240.7
4 **Agricultural Implements**	229.1	189.7	229.1	229.1
10 **Aircraft ('27 Cl.—100)**	776.2	404.4	768.0	743.5
7 Airlines ('27 Cl.—100)	743.8	512.3	714.3	743.8H
7 Amusements	135.7	87.6	129.7	124.6
10 Automobile Accessories	278.4	241.3	278.4	273.8
10 **Automobiles**	43.2	38.4	42.4	41.2
3 **Baking ('26 Cl.—100)**	24.6	23.0	24.6	24.4
3 **Business Machines**	580.3	362.3	566.2	562.7
2 **Bus Lines ('26 Cl.—100)**	333.4	229.2	333.4	333.4
6 **Chemicals**	450.5	369.3	439.5	421.0
3 **Coal Mining**	11.5	9.4	11.1	11.3
4 **Communications**	87.0	61.0	85.2	81.7
9 **Construction**	90.3	64.0	90.3	89.0
7 **Containers**	667.1	495.4	637.7	627.8
9 **Copper & Brass**	198.4	140.6	197.1	191.5
2 **Dairy Products**	129.1	102.0	121.8	118.7
5 **Department Stores**	73.2	56.8	71.0	68.3
5 **Drug & Toilet Articles**	296.8	239.8	292.0	287.3
2 **Finance Companies**	566.3	394.8	550.3	566.3H
2 Food Brands	246.1	194.6	242.3	240.4
2 **Food Stores**	151.6	130.2	144.9	144.9
3 **Furnishings**	68.6	61.2	64.3	61.8
4 **Gold Mining**	663.0	517.4	663.0	658.0

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Oct. 8	1954 Oct. 15
100 HIGH PRICED STOCKS	161.4	124.0	161.4	157.5
100 LOW PRICED STOCKS	287.0	225.0	285.9	281.3
4 Investment Trusts	131.6	99.5	129.7	125.8
3 **Liquor ('27 Cl.—100)**	942.9	805.8	908.6	908.6
11 **Machinery**	285.5	210.0	281.4	271.2
3 **Mail Order**	153.0	110.2	151.9	145.5
3 **Meat Packing**	103.7	85.7	103.7	102.0
10 Metals, Miscellaneous	311.6	215.1	305.5	287.4
4 **Paper**	710.6	466.0	710.6	692.1
24 Petroleum	537.3	412.1	537.3	521.2
22 Public Utilities	229.4	194.4	227.4	221.6
8 Radio & TV ('27 Cl.—100)	35.6	29.0	35.3	34.8
8 **Railroad Equipment**	63.4	52.8	62.9	61.4
20 Railroads	53.1	42.6	52.3	52.7
3 **Realty**	76.2	51.0	73.6	73.1
3 Shipbuilding	468.3	304.4	439.1	430.3
3 **Soft Drinks**	433.3	380.1	387.7	380.1L
11 **Steel & Iron**	176.7	133.8	176.7	171.5
3 **Sugar**	53.2	47.3	51.4	50.9
2 **Sulphur**	741.6	564.3	741.6	725.5
5 **Textiles**	127.6	101.3	123.6	122.6
3 **Tires & Rubber**	124.3	86.3	124.3	118.2
5 Tobacco	85.3	73.5	82.0	78.6
2 **Variety Stores**	303.2	274.4	291.7	291.7
16 Unclassified ('49 Cl.—100)	130.1	106.2	127.0	124.9

H — New High for 1954. L — New Low for 1954.

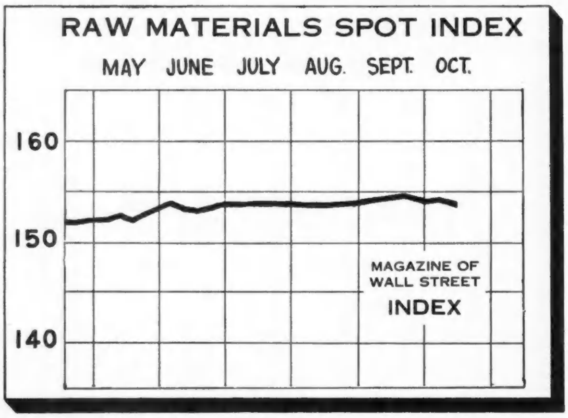
Trend of Commodities

Commodity futures have given a mixed performance in the two weeks ending October 18, with grains and soybeans improving slightly, cotton a shade lower and coffee and cocoa declining sharply. The Dow-Jones Commodity Futures Index, which is greatly influenced by fluctuations in coffee and cocoa, fell 3.54 points during the period to close at 167.41. May wheat gained 2 cents during the two weeks ending October 18 to close at 220. New crop wheat is moving rapidly into the loan with 233 million bushels, or 24% of the expected crop already under supports as of September 15. At the same date last year, 21% of the 1953 crop had been placed in the loan. Exports of wheat have been slow of late with foreign buyers awaiting details of the Government's surplus disposal plans before committing themselves. May corn was up 1¼ cents during the period under review to close at 159. The Agriculture Department in its October report has forecast a 2,950 million bushel crop, or 23 million bushels under the September estimate. The corn harvest has been delayed by wet weather which has increased the crop's moisture content, making some of it ineligible for the loan program. This will increase marketing pressures in coming weeks. March cotton lost a bare 8 points in the two weeks ending October 18 to close at 35.09 cents. The Agriculture Department's estimate of a 12,511,000 bale crop this season is still characterized as too low in some quarters. However, a good deal of cotton will go into the loan this season if prices do not rise soon and the export outlook is promising, all of which should make for a diminished free supply in later months. Coffee was weak in the latest period and the March option lost 4.64 cents. The Federal Trade Commission's charges against the New York Coffee Exchange were one of the factors depressing prices.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

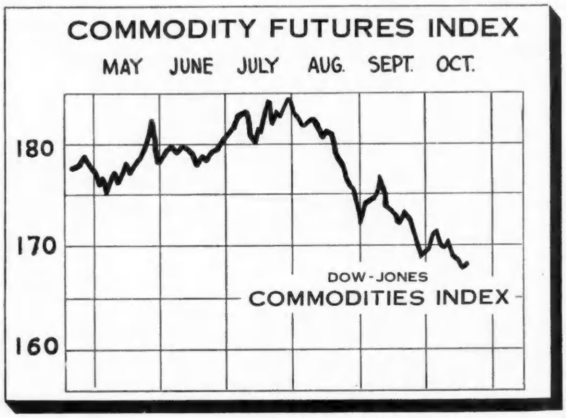
	Date Oct. 18	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.9	90.4	91.7	86.1	53.0
9 Foodstuffs	91.9	93.1	99.6	94.6	46.1
3 Raw Industrial	88.4	88.4	86.4	80.6	58.3
5 Metals	100.1	99.6	96.4	85.9	54.6
4 Textiles	87.4	88.9	87.4	87.5	56.3
4 Fats & Oils	70.5	68.8	68.4	67.2	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

R. H. Macy & Co.

"I have just received your latest copy of The Magazine of Wall Street and part of your 1954 Dividend Forecast and I am very pleased with them. Recently, my attention has been called to R. H. Macy & Co., and I would appreciate receiving late data on this company and also whether they are expanding through additional stores."

C. D., Rochester, New York

R. H. Macy & Co., Inc. reported sales of $340,316,000 for the fiscal year ended July 31st, 1954. This is $7,733,000, or 2.3% higher than the sales of $332,583,000 for the preceding year. Last year's volume was the largest ever attained, except for the year ended July, 1951, when consumer scare-buying, resulting from the outbreak of war in Korea, increased normal volume for that period.

Net earnings, after taxes for the year just ended were $4,772,000, or $2.14 a share of common stock, after providing for dividends on the preferred stock. For the year ended August 1st, 1953, net earnings were $4,874,000, or $2.20 per share of common stock, This year's results reflect payments during the year of $1,059,000 into the Retiring System Profit Sharing Trust Fund, whereas last year there was no such payment, since corporation's earnings for the Retirement System plan year (which is different from the corporation's fiscal year) were below the minimum required by the plan.

Working capital position amounted to $58,715,000 at July 31st, 1954, an increase of $2,334,000 over what it was a year ago, and the ratio of current assets to current liabilities was 3 to 1. Net accounts receivable from customers increased to $29,993,000 and merchandise inventories on the Lifo basis increased to $36,509,000 from $35,190,000.

In the last fiscal year, the corporation has opened two additional branch stores. One of these is in Plainfield, New Jersey, and the other just outside of Princeton, New Jersey; both stores are being operated as branches of the Bamberger Division. In the next few months, the Macy's California Division will open its third branch store in a regional shopping center in San Mateo County on the peninsula south of San Francisco. The 80,000 square foot expansion of Macy's White Plains, New York is near completion. In September, 1954, Macy acquired the store of the Christman Dry Goods Company in Joplin, Missouri.

During the year, Macy formed the Garden State Plaza Corporation, a wholly owned subsidiary, for the purpose of developing a shopping center on property located at the junction of Routes 4 and 17 and the new Garden State Parkway in Bergen County, New Jersey. Plans are also being made for additional new stores at the following places for three of the Divisions: for Macy's New York—Roosevelt Field, Long Island, New York and Garden State Plaza, Bergen County, New Jersey; for Macy's California-Valley Fair at San Jose, California and Bay-Fair at San Leandro, California, and for Macy's Kansas City-Mission, Kansas. Because the corporation's branch store program, for both urban and suburban stores, is contributing importantly to the present earnings and has signficance from the viewpoint of future earnings and security, the company expects operations to increase.

Dividends at 40c quarterly have been paid in each of the past two years.

Carpenter Steel Company

"Please submit recent earnings data and dividend payments of Carpenter Steel Company, manufacturers of specialty steels."

F. A., Englewood, New Jersey

Carpenter Steel Company is continuing to concentrate on the hard-to-make alloy steel specialties, and substantial research effort is being devoted to these alloys. Incoming orders reached a low point in the June quarter since which time there has been a modest upturn.

The fiscal year ended June 30th, 1954 witnessed a sharp decline in incoming business beginning in the spring of 1953 with the down trend flattening out during the final quarter of company's fiscal 1954. The decline in the incoming business was followed by reduced shipments so that sales for the year ended June 30th, 1954, were off approximately 17% from the preceding fiscal year to $44,898,964. Charges for depreciation, losses on property retirements, and amortization of emergency facilities increased substantially in the last six months of the year, totaling $1,340,707 against $513,092 previously. Earnings before taxes

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Keeping Abreast of Industrial and Company News

Six patents relating to the magnetic memory that can "memorize" or "recall" bits of information, in a few millionths of a second for modern high-speed computers, have just been granted by the U. S. Patent Office to the **Radio Corporation of America.** An advanced memory device, the result of several years of pioneering work by RCA scientists in this field, was first publicly described last August at the David Sarnoff Research Center of RCA in Princeton. Since that time, the magnetic memory has won wide acceptance as an effective means of storing information and has become a key element in virtually all high-speed computers now being produced or in development.

A revolutionary grade of linerboard, used in the manufacture of corrugated shipping containers, has been developed by **West Virginia Pulp and Paper Company.** The new product, to be marketed as ISL (Improved Surface Linerboard), is an unbleached linerboard with unique characteristics which will improve the appearance and serviceability of corrugated boxes.

A constant supply of high-precision plate glass for civilian and military use was assured this week with completion by the **Libbey-Owens Ford Glass Company** of the first "twin-grinding" and polishing installation in America. Two gigantic twin-grinding lines, each serving one of L-O-F's two plate glass melting tanks, grind simultaneously both sides of two moving ribbons of glass 10 feet wide and one-sixth of a mile long to surfaces of near-perfect parallelism. A giant polishing plant then moves the glass through one-third of a mile of polishing heads, producing a surface never before achieved in large volume production.

Allied Chemical & Dye Corporation has entered the petrochemical field with the opening of a new chlorinated methane plant at Moundsville, West Va. The plant operated by the Solvay Process division, produces chlorine using its own underground brine wells as a source of raw materials. The chlorine is then combined with methane from natural gas from the Big Inch pipeline. The final products are methyl chloride, methylene chloride, chloroform and carbon tetrachloride. The first two have become important since the end of the last war and demand has grown rapidly.

General Electric Company has dedicated what it calls the world's largest "quiet" room—a chamber protected against noise by five foot thick walls and housed inside a Pittsfield, Mass., research laboratory. The room will be used to help the company search for ways to make quieter power transformers. Called an anechoic chamber because it is almost echoless, the room is more than four stories high and has walls and ceiling covered with 12,000 glass fibre wedges to absorb sounds. Huge power transformers, some of them as big as a house, will be brought into the chamber through a pair of 30 ton doors and there studied by GE engineers.

Marathon Corporation plans to build a new plant at Neenah, Wis., a short distance from its three factories at adjoining Menasha. The new facility will augment production of the Menasha plants, which produce wrappers, labels and various other specialty paper products. It is tentatively designed as a one story structure with from 100,000 to 125,000 square feet of factory and office floor space. Completion of the project in late 1955 will give Marathon a total of 10 plants, including a new one now under construction at Modesto, Calif.

Jones & Laughlin Steel Corporation plans to construct a new container division plant and office at the site of its present plant at West Port Arthur, Texas. Equipment now used for producing steel drums will be moved into the new 38,000 square-foot building. The present plant, operated by J. & L. since 1940, will be used for warehouse space. The container division, which produces steel drums, galvanized and steel shipping pails, has seven other plants.

Southern California Edison Company ordered a second 156,000 kilowatt generating unit installed at its newest steam-electric station, the Tidewater plant now under construction in El Segundo, Calif. The initial unit goes into service in September, 1956. Total cost of the station with both units in service will be about $46 million.

The Pacific Northwest's first major aluminum extrusion operation – a $3,360,000 mill – began operations at **Aluminum Company of America's** Vancouver, Wash., plant. Part of a $6.7 million fabricating expansion program, the new mill will eventually employ about 200 men, house two 2,500-ton hydraulic presses, two stretchers for straightening the long extruded shapes and the necessary equipment for heat treating. Included in the overall expansion program are expanded wire and electrical conductor cable facilities and an ingot casting unit.

Sun Oil Company will enter a new branch of the petrochemicals field with construction of a $9 million anhydrous ammonia plant at its Marcus Hook, Pa., refinery. The new plant, to be completed late next year, will have a capacity of 300 tons a day. The other anhydrous ammonia plant in the northeastern United States began operation at **Atlantic Refining's** Philadelphia refinery last July. That plant cost about $5.5 million and has capacity of 100 tons a day.

Hot Spots Around the World

(*Continued from page* 140)

of economic collapse. Discouraged farmers were abandoning land and flocking into the cities, and it seemed that the country's export capacity was being wrecked. Gold and foreign exchange reserves were wasted on unproductive schemes. Inflation was rampant and there was a flight from the peso. Even the industrialists were discouraged by constant government intervention in business and by excessive demands of labor which seemed always to have the backing of the authorities. Argentina was in "a tunnel of Pernoism," as one writer put it. American capital stayed shy of Argentine investments in those years, and as a market for American products Argentina dropped from first to sixth place in 1953.

Under the growing political and economic pressure there was nothing else for General Peron to do but to tighten still more the grip on the political and economic affairs of the country or else reverse his policies. He choose the latter, and for the last two years Argentina has been letting more air into her economic edifice. In the first place, the Government moved to expand the country's capacity to export by bringing in more farm equipment and by raising the prices paid to the farmers. In fact, the Government trading agency, the infamous IAPI, has been paying higher-than-market prices for the farmers' grain, with the result that its losses may reach two to three billion pesos, or about 25 per cent of this year's budget.

Checking Inflation

The Government also moved to check inflation. The blanket wage increases, which in the earlier years of the Peron era contributed materially to inflation, were suspended. Wage increases are now allowed only if productivity justifies them. The peso quotation in the free market improved somewhat, but the cessation of irresponsible spending ended the boom for Argentina's highly protected industries. Investment activity subsided, and as a whole Argentine industries have been stagnant. To stimulate economic activity, President Peron has been appealing to "private initiative" and has promised to turn over the government-owned enterprises, ranging from breweries to aircraft manufacturing, to private ownership and to workers' organizations.

The outside investor is also being approached. Last spring Mr. Black, President of the World Bank, was invited to Buenos Aires for the obvious purpose of discovering what Argentina needed to do to obtain help from that institution. The Senator Capehart Mission was also queried as to the possibilities of Argentina's obtaining assistance. More recently, French and German bankers have visited the country to discuss industrial development and long-term financing of sales of machinery and other equipment to Argentine factories. Finally, last August the Export-Import Bank Mission stopped in Buenos Aires to study capital needs. American oil companies were invited, and U. S. financier Floyd Odlum devised a deal on how to unblock frozen pesos by buiding oil pipelines and developing Argentina's uranium and thorium deposits. However, no appreciable American capital is likely to flow into Argentina until the old investors are better treated. Some of them have been unable to take any profits out of the country since 1947.

Limiting Barter Agreements

Meanwhile Argentina has been moving also toward liberalizing her import policies—or rather she is being pushed into liberalizing them. Some of her best customers —Great Britain and West Germany, for example—are no longer keen on concluding barter and compensation pacts and are advocating charging and paying the best market prices. With a few exceptions (Japan, Peru, Chile) Argentina's barter agreements are now limited to the Iron Curtain countries, but past experience with deliveries has apparently made Argentina none too keen to expand this kind of business. The trend toward liberalization of Argentine trade favors increased purchases in the United States of such products as industrial equipment, roadbuilding and construction machinery, industrial chemicals, fertilizers, drugs, surgical instruments and paints.

———

"Tout Va Bien, et Rien Ne Va Plus"—in this quip, which freely translated means "all goes well but nothing gets solved", the editor of the leading French economic publication, "La Vie Francaise", described succinctly the present situation in France. Business has never been better in France than it is at present. The country is gathering one of the best postwar harvests, industrial production is rising, steel mills report exceptionally high bookings, and automobile production is expected to reach an all-time high of at least 550,000 motor vehicles. Even the French Treasury seems in a strong position. Yet the country's economy is unable to keep up with competitors, and had it not been for dollars pouring into the country from U. S. offshore purchases, from military aid and from spending by American troops, France would be facing a major balance of payments crisis.

With American aid bound to decline slowly but steadily during the months ahead, the need for forestalling and a crisis is obvious. None, of course, knows this better than the Premier, M. Mendes-France, who happens to be one of the leading French economists and who is, because of his past work, well acquainted with France's postwar problems. The need for revitalizing French economy has been the basic reason for France asking and receiving last August special decree powers. These powers empower the Premier to act "without the express approval of the Assembly" (1) to expand the productive capacity, (2) cut down production costs, (3) improve public purchasing power, (4) secure employment, (5) balance international payments, and (6) raise the living standards in French territories overseas.

M. Mendes-France proposes to move slowly. One of his lines of attack will be to reduce French production costs so as to encourage exports. He may do this indirectly by means of liberalization of the French import system and by attack on artificial measures (subsidies, privileges) that the French exporters have enjoyed up to now. The second line of attack is likely to concentrate on the re-equipping of French industries, so as to make them more efficient. A possibility of another devaluaticn of the franc must also be counted on. —END

Reappraising Our Recommendations Over the Past Year

(*Continued from page* 143)

tion in the industry, as will also the new $17 million petrochemical plant scheduled to be ready for operation late next year for the production of 300 tons of anhydrous ammonia a day. Output will include urea, nitrogen solutions and nitric acid. Dividends are currently being paid on a $2.40 a share annual basis to yield at present market price 5.7%.

Texas Gulf Sulphur Co., was included among 15 candidates for stock splits in The Magazine's issue of August 21, last. At that time, the stock was selling at 102, and since sold at a high of 109⅝. It has recently reacted to 103⅛, affording an opportunity for those who delayed purchases last August to pick up stock close to the price prevailing at the time of our article. Net earnings of the company for the six months to June 30, this year, were equal to $4.65 a share, topping the $3.87 a share shown for the corresponding months of 1953, and presaging the highest rate of per share earnings since the four-for-one split in 1926. The current $5 annual dividend rate could readily be increased, especially in view of the company's strong finances. As of June 30, last, current assets amounting to $50.3 million, included cash and U. S. Government securities of $33.9 million. The latter sum was more than three times total current liabilities.

Union Oil Co. of California, presented in the form of a "thumb nail" analysis in the March 6, 1954, issue of The Magazine, was selling at the time at 41. It has since moved to a year's high to date of 51⅞, and currently sells around 50½. Among the highlights brought forth through our analysis were the company's basic strength due to progress in integration, its success in increasing its margins from both crude and refined products, and its entry into the petrochemical field. More recently, the company called for redemption its $35 million convertible debentures. While maximum conversion increased the amount of outstanding common stock by about 15%, this action enlarges borrowing capacity, if and when needed, to cover exploration and development operations and expand refinery and other facilities. The stock, which was again covered in our issue of Oct. 16, 1954, is worth retaining as a long-range investment and at current price is attractive, on the same basis, for inclusion in an investment portfolio. Dividends on the issue were recently increased to 60 cents a share quarterly, returning a yield of 4.7%.

Louisville & Nashville Railroad Co. has been referred to in The Magazine a number of times within the last two years. Going back over the last 12 months, however, it will be found that it was the subject of a "thumb-nail" analysis in the November 14, 1953, issue. At that time, the stock was selling at 60, a yield basis of 8.3% on the regular $1 quarterly dividend and year-end extra of the same

(*Please turn to page* 166)

Reappraising Our Recommendations Over the Past Year

(*Continued from page* 165)

amount. Obviously, in comparison to yield on other comparable rail issues, L. & N., was entitled to sell at a much higher price. This conclusion was partially borne out by the stocks later advance this year to a high of 78¾, or a yield basis of 6.3%. Since then, it has reacted to a current price of 67¾, where it is selling to yield 7.3%. The stock is worth retaining for its long-range prospects and new commitments at current price level can be made on the same basis.

Reynolds Metals Co., was selling at 49, when we presented a "thumbnail" analysis of the company in our December 12, 1953, issue. From that level, Reynolds has moved up to a recent high of 93 for a gain of 44 points. We again commented on the company in our issue of October 16, last, when the stock was selling at 84⅜. It was then when we said the company had about completed its broad expansion program and can fabricate its production without making any major additions to its mills, pointing out also that the stock has been showing exceptional market strength, reflecting the possibility of a stock split.

Imperial Oil, Ltd., was part of a feature article in the January 9, 1954, issue of The Magazine. At that time the stock was selling at 27. The issue is currently selling at 36⅜, yielding 2.4% from the 90 cents a share annual dividend rate. When Imperial Oil was brought to the attention of our readers last December, we said "the yield is obviously limited in appeal, but this is not a material factor in judging long-term prospects. Growth potentials warrant viewing Imperial Oil's capital stock as a worth-while long-range investment." This opinion of the stock remains unchanged. Present holdings of Imperial shares should be maintained intact. Although the stock is selling above its December, 1953, price, it continues to merit consideration of investors as an attractive vehicle for participation in a company that should benefit from the growth of the Canadian oil industry. —END

What Now for 'Miracle' Fibers?

(*Continued from page* 145)

of viscose staple would be increased to 100 million pounds or 150 million pounds.

New Fiber for Celanese

On the other hand, Celanese Corp. of America, specializing in acetates used for apparel, has been influenced by the textile depression. Sales last year were down to $166 million from $167 million in 1952 despite an excellent first half. The company's volume had been as high as $232 million in 1950. Celanese has a disappointing earnings record resulting from the competitive conditions with a deficit of 18c a share reported for the first half of this year compared with net income of $1.01 a share last year and profit of more than $6 a share for 1950.

Celanese is trying to fight its way out of this situation through diversification and introduction of new products. The company has just announced plans to market a new fiber tagged Arnel. Known as X-100 while in the laboratory, the fiber is described as having the best balance among synthetics among performance, appearance, versatility and price. President Harold Bancke notes that textile mills using Arnel would be able to produce fabrics which have attractive drape and "hand" of luxury fibers such as acetate and silk, plus easy washability, fast drying, wrinkle-resistance, color fastness and durable pleatability of the newer synthetics.

Its relatively low price is a major asset of Arnel. Utilizing the lowest priced raw materials available, Celanese has come up with this yarn as the end results of years of research. Initial uses are expected to be for "wash and wear" fabrics like gabardines, suitings and woven and knitted lingerie.

At the outset, Arnel is available in staple fiber form at 55c a pound. Acetate and rayon staples are priced in a range from 34c to 39c while orlon costs about $1.70 a pound, nylon is $1.55 a pound and dacron approximately $1.40 a pound.

Present plans apparently do not call for combining the Celanese product with other staples to make a blended fabric but for most of the "miracle" fibers, blends have been found more suitable than the virgin product. Research has proved that the combination of most man-made fibers with each other and with natural fibers like cotton and wool, can result in end-product fabrics which surpass their components in quality while eliminating defects of each.

Taking the "Bugs" Out

E. I. du Pont de Nemours & Co. Inc., which produces most of the important manmade fiber varieties, reports that each of the new synthetics emerged from the laboratory with recognized strong points but the new materials also carried with them certain restrictions that could not be ignored. To overcome the handicaps, the giant chemical concern has been experimenting with blending and has come up with successful marriages of the fibers.

Dacron and wool, for example, are very complimentary if the mixture is kept within certain limits. Less than 40 per cent dacron reduces the fabric's durability and easy care while more than 70 per cent dacron cuts seriously into the contribution of beauty added by wool. In blends of dacron and rayon, the dacron contributes durability while the rayon provides static protection and resistance to the melting which affect pure dacron. The texture and resilience of wool is aided by combination with orlon that adds press retention and dimensional stability.

Anyone not properly impressed with du Pont's activity in this field of synthetics should test himself by going over a list of the known fiber names and on completion it will be found that most of the list is composed of du Pont brand names. Nylon, dacron, orlon are all widely known and are the product of the du Pont company.

Nylon, for example, is polyamide fiber first produced by du Pont. Others in this field include Allied Chemical & Dye which is preparing facilities to turn out about 20 million pounds annually; Chemstrand Corp., owned jointly by American Viscose and Monsanto Chemical Co., which has a 50 million pound plant and American Enka and Industrial Rayon.

Orlon is du Pont's name for an acrylic fiber product. Chemstrand Corp. calls its acrylic fiber acrilan and Union Carbide's name is dynel. Dacron, produced by du Pont, is the only polyester fiber on the market.

Oddly, rayon which is an important contributor to the nearly $2 billion sales volume of du Pont, bears no distinctive company brand name.

The word "blend" might also be used to describe what is happening to some textile and chemical companies. Synthetic fibers are textiles manufactured by chemical processes. Because they cut across industry lines there has been considerable intermingling of lines. Some of the chemical companies, like Union Carbide and Carbon and Allied Chemical are producing fibers. Others like American Cyanamid and Dow Chemical are selling chemicals used as raw materials by the fiber producers. Celanese, on the other hand, is turning its fiber know-how to use in the chemical industry.

More Price Stability in Textiles

The leadership of companies the size of du Pont, Union Carbide and American Viscose has given the industry a price stability not typical for other textiles. Although prices are affected by competitive conditions, the movement is not as marked as for the natural textiles. Producers are large enough to hold the price line and, if necessary, build inventories to some extent without leading to panicky liquidation.

Judged by data reported for the rayon and acetate industry, attempts by the fiber producers to correct unwieldy markets by curtailment of output have been successful. Formerly, textile fiber producers and weavers would maintain full scale output while reducing prices to stimulate demand. In the past this has failed to aid the market and has led to repeated boom and bust periods for the entire industry. Through the use of self-imposed production controls, companies are now able to coordinate inventories with market requirements supporting prices and often spurring demand as shortages crept in.

Textile Organon reports that acetate yarn production for August was 18.4 million pounds, the highest in a year. Production of rayon was 29.5 million pounds in August which was a new high for any month and well above first half results.

Yarn prices during this period have been very steady, which is typical of the group of materials. Price stability has been an important factor in the increased popularity of the man-made fibers since many weavers and converters prefer the safety of unchanged raw material prices to the possible gain or loss which would result from changes in inventory values.

However, the chemical companies may also soon provide natural fibers with competitive weapons to regain some of lost markets through new types of finishes.

American Cyanamid, a leading producer of acrylonitrile, the acrilan-orlon raw material, is cooperating with the cotton industry on the testing of cyanoethylated cotton in order to discover what may be a wide range of new apparel, household and industrial uses for the fluffy plant. Treated cotton is said to have improved strength and increased resistance to mildew, heat, acids and abrasions.

Silicones of Dow Corning Co. are being added to many of the synthetic fibers to give the fabrics water repellency, soilage resistance, wrinkle resistance and a better feel.

The battle for markets is far from ended. Synthetic fiber producers may see their sales jump at a faster rate than others but gains will be hard won.

Investment Aspect

From the investment viewpoint, it develops that some of the companies depend more heavily on production of fibers than do others that are also in the field. Far-flung corporations such as du Pont, Dow Chemical and Union Carbide are naturally less dependent on revenue from fibre-manufacture as this forms only a relatively small part of total production. Others such an Celanese and Viscose are obviously much more involved, and therefore more affected by conditions in the fibre markets. This will explain why the latter two companies have slumped in earnings whereas other manufacturers of fibres, which form only a small part of their total output, are affected only in the slightest degree so far as their total profits are concerned. —END

Chrysler's Year of Decision

(*Continued from page* 148)

people of that company. This year Chrysler engineers developed a gas turbine engine that fits under the hood of a conventional automobile and performs in traffic like any other car. Called a milestone in automotive engine development, the Chrysler turbine may point the way to pistonless power on the highway with cheaper fuels such as kerosene and fuel oil. Many complex metallurgical and manufacturing problems remain to be solved before there is commercial production for passenger cars.

Unfortunately, Chrysler never was outstanding in its sales and promotional activities. Alongside G.M., for example, it has been feeble.

But a new Chrysler is being born and not merely on the assembly line. The whole organization is taking on a new look. The problem of sales is going to be tackled with vigor. A sample of the vim with which the firm is tackling this problem was provided late this summer when earnest groups of Chrysler dealers gathered in 28 cities to look at super-size TV screens. Company officials were using a brand new device, the closed-circuit TV hookup, to hand the dealers a stern warning.

Word went out that every agency for the Chrysler was going to be told each month the minimum number of cars it was expected to sell. Any dealer unable to achieve the target, and it was up sharply from 1954, would have to strengthen quickly his organization or prepare to make room for another dealer in his franchised sales territory. These dealers knew that the Chrysler car, like the other makes of the line, had taken a disastrous drubbing in 1954. They knew as they watched the TV screen that the number of 1954 model Chryslers to come off the assembly lines was 67,000 units. This was a slump from better than 119,000 turned out during the same period of 1953.

Dealer-wise, the company now is in a healthy condition on an inventory basis. Its 10,000 dealers have only 40,000 cars of 1954 vintage on hand. This is considered the minimum needed to keep them operating until new models come

(*Please turn to page* 168)

BOOK REVIEWS

DEFENSE AND THE DOLLAR

By ALBERT G. HART

"Policy toward money, credit and public debt constitutes one of the nation's major weapons for combating both inflation and mass unemployment. . . . So long as there is no secure peace, there is constant danger that needs for increased outlays on national security may revive inflationary tendencies. Our monetary defenses must be ready, as they were not in 1950."

—Committee on Economic Stabilization

This book describes what those monetary defenses are, the advantages and dangers of each, and makes recommendations for present and future action. It will be of great aid to persons in business and finance and in government; and to private individuals in planning the prudent management of their own affairs. The book also suggests constructive policies on which all may unite in the public interest.

The Twentieth Century Fund $2.00

THE DARK CITY

A True Account of Adventures of a Secret Agent in Berlin
as told to HARTVIG ANDERSEN

Aage Smith (or Schmidt as he was called) is the hero of this nightmarish —though true—adventure. Although this is not his real name, he was, and is, a very real person indeed. From this account, it is obvious that he was one of the most courageous, intelligent and articulate secret operatives of World War II. He was an active member of the Danish underground who escaped to Stockholm and joined an O.S.S. training program, grooming agents for espionage in Germany. He decided to volunteer for the job himself, and early in 1945 was sent to Berlin. This is his first-hand story.

Smuggled into German in a fish truck, Aage Smith arrived in Berlin and at once set up an underground system to relay to the Allies detailed reports on every phase of urban life: street conversations, transit, damaged areas, rationing, morale, etc. Constantly on the run from the S.S. on the one hand and Allied bombings on the other, he managed to retain a clear eye and mind and has given us a most extraordinary picture of a great metropolis in its agonizing death throes, slowly, inexorably giving up the ghost.

With the arrival of the Russians in Berlin, the fascination and horror of his story increases. Fire, rape, and looting went on around the clock. Expecting to be handed over to the Americans at once, Smith gave himself up to the Russians and was held a captive "guest" for nearly a month. His personal guards (whom he calls Abbott and Costello) did their very best to keep him amused: a terrified girl is dragged in for his pleasure, a toy train set up on the floor, a whole apartment house raided for books.

After innumerable written and oral protests, Smith was sent toward Madgeburg, still closely guarded. With his goal. the American lines, in sight, he realized that freedom was not a sure thing and a desperate chase winds up his thrilling account.

Rinehart $3.50

Chrysler's Year of Decision

(*Continued from page* 167)

out in November. With the assembly lines already turning out the new machines, it is likely that more than 200,000 will be made and distributed before the end of the year.

Let us depart for a moment from the Chrysler organization for the benefit of those whose faith in Chrysler has been lessened by the experiences of the last year or two. For here it must be emphasized that belief in Chrysler has not been diminished an iota by people who back up their faith with important money. Thus, early this year the Prudential Insurance Company of America granted Chrysler a \$250 million loan repayable in 100 years. This loan is to finance future expansion, for modernization of existing facilities and to provide additional working capital.

Terms of the loan agreement give Chrysler the privilege of repaying out of its own funds in any one year up to one-fifth of the sum borrowed. At any time after January 1, 1962, the 100-year notes may be converted into 20-year notes with equal annual payments and with an interest rate reduced from the 3¾% rate fixed at the outset. In other words, conversion on January 1, 1962, would result in a cost to the company for interest and expenses of about the sum equal to that for a 3¼% public bond issue maturing in 25 to 30 years.

Chrysler hasn't had a financed debt since 1935, when the last of the debentures assumed in the purchase of Dodge in 1928 were paid off. Chrysler was organized three years earlier to take over the business of Maxwell Motor Corp. The present company has no preferred stock.

The company's resources are considerable and its financial condition is good. At June 30 total current assets were \$503,575,059 and total current liabilities \$289,551,533. Thus, net current assets amounted to \$214,023,526. Cash and securities amounted to \$136,583,657. On July 1 the company received \$62.5 million from Prudential under the loan agreement.

Chrysler came into an unexpected windfall in late September when the Army awarded it a \$160,600,000 contract to make Patton M-48 medium tanks, to take effect when their production by G.M. comes to a halt next June. This was welcome news to shareholders, who had been informed by the company a month previous that defense work had declined to 14% of the total business from 20% for the same period of 1953. In round figures, Chrysler defense volume in the first half of 1954 fell to \$152 million from \$375 million in the like period. The order calls for 1,800 tanks.

Defense Business Important to Chrysler

The award was preceded by much grumbling, largely from legislators who contended that the Pentagon was concentrating defense contracts in G.M. Defense business, of course, is important to Chrysler. In fact, many believe that Chrysler makes more money proportionately out of defense business than from commercial business. If this is true, then Chrysler undoubtedly was the high-cost producer these sources contended it was. Thus, the innovations now in the works may well work miracles in Chrysler earnings in the years ahead.

Before leaving the subject of defense contracts, this final word is in order—military business is a substantial factor and will continue to be of large importance in the next few years to an industry whose capacity is not expected to be over-taxed by the demand for its regular commercial products. The trend under the Eisenhower Administration has been toward concentrating in G.M. the production of military hardware that could also be turned out by Chrysler, Ford or even the smaller car-makers.

In the midst of the 1954 political campaign it became a plaything for those seeking office, but it would be a mistake to suppose that rivals of G.M. are not unhappy about the situation. The same may be said for workers and communities that suffered under this policy of hiking G.M. contracts by \$1.7 billion while paring the figure by \$395 million for the rest of the automotive industry. Many people concerned for the safety of this country see in any concentration of defense goods an increase in the danger of vulnerability to atomic attack.

A change in this policy would seem to be shaping up and, fortunately for Chrysler, that company

did not complete the tool-layaway process by the time the Army asked for bids on tanks. It was an innovation to see Chrysler underbid G.M. for this big tank contract despite the fact that Chrysler had to absorb millions of dollars in additional costs for reinstalling machine tools removed earlier.

Of major significance to companies such as Chrysler is the pronouncement by Charles E. Wilson, Secretary of Defense, holding out the hope that carmakers henceforth would get a larger slice of the defense dollar. He said they are not now getting a fair share and disclosed he was making a study of the apportionment of new contracts to see if it were not possible to divert more contracts to the automotive business. Apparently, Mr. Wilson was thinking largely of aircraft work, for he added: "The automobile manufacturers proved during the war that they could make just as good airplanes as anyone else."

The greatest innovation of all for Chrysler could be the marked change in its labor relations. In August, Mr. Colbert made a revolutionary appeal to the company's employees, asking their aid in regaining the company's share of the market. He urged union leaders to begin "pushing for Chrysler." Mr. Colbert said he was "hopeful" that the 37,000 idled employees of the firm would soon be returned to work. It is expected that 106,000 workers will be on the job by mid-November.

Labor-management relations have not always been cordial. During one postwar year when the public was buying anything on wheels Chrysler embroiled itself in a protracted strike that cost the company a big slice of the market.

While decentralizing management, Chrysler took a step toward greater integration of manufacture late last year by buying Briggs Manufacturing Co. for $35 million. Acquisition of Briggs motorcar-body plant already has resulted in considerable savings and has brought its integration factor up to a new high of 45%.

To sum up, it would appear that Chrysler, due largely to old blunders in designing, is having an unfortunate year. However, it came at a most unfortunate time —a time when Ford and the Chevrolet of G.M. in a battle of unprecedented fury were slugging it out for car leadership. While there is every reason to expect that smart styling will gain better acceptance for the Chrysler line in 1955, it would be naive to suppose that the two top dogs of the industry won't be out there with innovations of their own. Typically, G.M. already is claiming Chevrolet will be the hottest car on the market next year.

As for the independents, caught in the midst of this battle of titans, they are headed for even more trouble unless they can reverse the trend that has shrunk their share of the automotive market with each passing month. Talk is rife of more mergers, such as a linking of Studebaker-Packard with American Motors (Nash and Hudson), and there is expectation that Kaiser, more and more, will concentrate on overseas manufacture.

Toting up all their models, G.M. and Ford had accounted for 84.05% of production by the end of August. This left only 11.96% for the Chrysler line and 3.99% for the independents. The percentages for the first eight months last year, before G.M. and Ford began to clobber each other, was 47.19%, 22.53%, 20.38% and 9.9%, respectively.

Not too much hope is held that the year ahead will be any better than 1954, with its estimated production of 5,300,000 cars. That means Chrysler along with the independents will have to take some business away from the Big Two if they hope to improve their competitive position.

Chrysler apparently has staked everything on producing a better car as the means toward winning its way back to leadership. While price-cutting can't be ruled out at this stage, it would seem that in any price war the enormous resources of G.M. and Ford cannot be overlooked. To date, only Studebaker has announced price cuts on its 1955 models.

Meanwhile, all eyes are on Chrysler, waging a comeback in the biggest industry whose gross product last year amounted to $11,440,000,000. Now the Chrysler people, sleeves rolled up, are going out to get a bigger chunk of that multi-billion dollar melon.

Conclusion

Where does all this leave the investor? The stock reached a bottom of 56¼ a few months ago. This was a big drop from 1953's high of 96¼. The reason for the precipitous decline became apparent with the release of the first half earnings, only $1.81 a share, compared with $5.07 a share for the corresponding period of 1953. A deficit of some proportions is expected in the third quarter, due to extensive re-tooling operation and concentration on new models. This puts it up to the fourth quarter to restore earnings but it is hardly likely that the company can show more than $2 or $3 a share for the full year, in any case.

Despite this severe shrinkage, it is not likely that the company would have further unfavorable dividend action after having already halved its dividend. No doubt the management will desire to wait until they can more clearly assess the fourth quarter situation and, especially, the first quarter of 1955. The recent action of the stock, however, which reached a high of 70—now about 65—would seem to indicate at least some temporary confidence that the company's immense bet on its new cars will pay off. Nor should

(*Please turn to page* 170)

BOOK REVIEW

AWAY ALL BOATS

By KENNETH DODSON

This is the way it was.

Away All Boats tells the intimate and heroic life story of the attack transport *Belinda*. It tells of the ships and men that came in under naval bombardment, that landed our marines and GI's in battle, that took them wounded and dying off the blasted beaches at Makin Island, Kwajalein, Saipan and Lingayen Gulf. It is the Pacific War re-created in its entirety—from the shakedown cruise to the ominous lowering of the LCVP's, from the West Coast docks to the bitter engagements in the Marshalls and Marianas. It will make thousands of veterans of the island-hopping campaign say, "This is it. This is the way it was."

And for the families stateside, who followed their men through terrible headlines and letters three weeks old, this is the novel that brings *their* war into the home.

Litte, Brown $3.95

Chrysler's Year of Decision

(*Continued from page* 169)

one forget the $250 million "bet" on the company which the Prudential Life Insurance Co. has made. It would, therefore, seem the most practical policy for Chrysler investors to retain the issue until really conclusive data is at hand concerning the company's ability to regain its position. This should be more clear toward the end of the year when the public's response to the new cars will be known. If at that time, the company has not met with the necessary degree of the hoped-for-success, there would be time to reconsider the position. However, the known ability of the management to rescue itself from troublesome conditions is something that should encourage investors to maintain their position for the time being. Obviously, new purchases should await a really tangible sign that genuine improvement in the company's affairs has started. —END

Stocks That Have Made Successive Yearly Highs

(*Continued from page* 153)

in 1954.

All of these companies were outstanding performers from the standpoint of earnings gains and sustained market appreciation over the entire four years, including 1954. There were other companies with relatively good records during the entire period, although they fell short of perfection because they failed to increase earnings and move to a higher price level marketwise in every one of the four years.

Considering the odds against achieving such perfection, it is surprising that under the varying conditions with which industry has had to contend in these years there would be more than just a few companies capable of compiling such perfect records. A survey by our Staff, for the purpose of determining which companies showed successively higher earnings and market prices in the four year period, disclosed that approximately 14 among the more prominent companies qualified. These corporations are listed in the accompanying tabulations which shows their earnings per common share in each year since 1951, with 1954 estimated, together with the market high for their shares in each year, including 1954 to date. There were about 40 more companies that came close to equalling the records of the 14, but did not fully qualify because they failed to increase earnings regularly or because of failure of their shares to register new highs in each of the four years, or both.

In some instances, the line of demarcation between the 14 companies meeting both requirements, and some of those that didn't quite measure up is extremely fine. In the latter group are Continental Can, Minnesota Mining & Manufacturing, and National Lead. Considering their over-all performance, however, these three companies, we think, should be ranked with the 14 perfectionists and are, therefore, included in the tabulation. Continental Can, for example, snapped its uptrend in earnings in 1952, largely due to the prolonged steel strike creating operating difficulties by reducing tin plate supplies. In 1953, labor stoppages in some of Continental's own plants again upset operations. Its stock, however, moved up to higher price levels in each year, advancing from a 1951 high of 45½ to a 1954 high up to now at 77¼. Certainly, National Lead belongs in the group because of its year to year gain in per share earnings, although its successive market gain was marred, but only slightly, by the fact that the issue at its 1952 high was a half point under the 1951 peak price of 33½.

Inclusion of these three companies brings the total in the accompanying tabulation to 17. The list is submitted to our readers as an interesting study in earnings trends and market movements of companies with outstanding four year records. In presenting the list at this time no inference is intended that it is a blanket purchasing recommendation. It will be noted that the tabulation embodies individual comments, including recommendations as to whether present holdings should be retained on the basis of further long-term growth possibilities; whether new commitments in some of the issues should be delayed for a more favorable buying opportunity, or, because of special circumstances, all or a portion of holdings should be sold. —END

3rd Quarter Earnings — A Significant Key This Year to Company Prospects

(*Continued from page* 130)

substantial savings on EPT (the company paid only $240,000 on EPT in 1953) net profit should have benefited. Yet, for the full nine months, net income declined from $19.6 million to $16.4 million or from $3.65 a share to $3.04 a share, respectively. In the third quarter, profits were 53 cents a share, compared with 99 cents a share in the same period, 1953. The difference in earnings between the two periods is accounted for by a rise in operating costs which had its full impact without benefit from EPT.

In general, it may be said that in the third quarter of this year, the same relationship between the lapse of EPT and net income existed as in the second quarter. Companies in very high income tax brackets benefited proportionately whereas those not coming under the provisions of EPT felt the full brunt of either a sales decline or a rise in operating costs or both. In cases where operating costs declined against a sales decline, the best results were had by companies which had had high EPT charges.

Third quarter reports for the smaller companies almost invariably showed the deepening effects of competition with their larger competitors. Also, in subdivisions of industry, such as companies specializing in the steel alloys, wood furniture, farm and auto equipment, some sections of the chemical industry, and radio & television, earnings were almost uniformly downward. Since few of these companies had the benefit of much EPT tax savings, they bore the entire brunt of the sales decline. A good illustration of the substantial effect of a sales decline on profits among smaller independents in an industry is Granite City Steel, a company which has, up to this year, had a respectable earnings record. In the third quarter, the company earned $1 million, on the larger number of shares now outstanding, against almost $2.3 million. This amounted to 57 cents a share against $1.41 a share for the corresponding period. This was largely due to a drop in sales of from $25.3 million to $16.1 million. Obviously, the smaller steel companies fared much worse than the large ones with respect to sales in the third quarter. Unfortunately, without EPT cushion (the company paid no excess profits tax in 1953) the decline in sales could not be offset except partially through normal cuts in operating costs.

This company is cited merely as an illustration of the many which must depend entirely on sales and operating efficiency to produce profits without recourse to fortuitous tax savings. Hence, their showing for this year and 1955 depends entirely on whether the demand for their particular products will pick up without respect to the tax situation. There are now signs that sales improvement is commencing but, as yet, this is of small dimensions, and not broad enough in scope to materially improve the earnings outlook for this group of companies in the fourth quarter of this year.

Before we proceed with the outlook for earnings of the major industries in the fourth quarter and in early 1955, a brief review of the current economic trend would be useful.

On the favorable side, we have the following: the decline in payrolls, about a year old, is finally levelling off; ratio of inventories to sales is about in balance, for the first time since the business down-trend started; construction is still rising; retail sales, on a country-wide basis, will break all records this year; steel output is climbing, with inventories and production finally in balance; prices are stable; automobile production will soon get into gear, defense orders are increasing again.

On the unfavorable side is the still high level of unemployment with numerous localities particularly affected with resultant distress in local trade; the cost of factory and business operation remains exceedingly high, leaving a narrow margin for profits for the companies being competitively squeezed; farm income is substantially lower, leaving smaller buying power for large agricultural sections of the country; while total consumer spending is high, a disproportionate amount of consumer income is going into savings, accentuating the "buyers' market" characteristics of the times; labor is more restive, according to recent developments.

(*Please turn to page* 172)

In Our Next Issue —

1954 Earnings of 48 RRs Estimated

3rd Quarter Earnings — A Significant Key This Year to Company Prospects

(*Continued from page* 171)

Outlook for Individual Industries

(1) *Steel.* With the industry now operating at 75% of capacity against a low last summer of 61%, profits for the larger companies should increase in the fourth quarter of 1954 and, very likely, the trend will continue into early 1955. The profit outlook for the smaller independents and specialty makers is more uncertain during the months ahead but earnings could increase moderately over the third quarter. Leaders in earnings should be: U. S. Steel, Bethlehem, Republic, Armco and Inland.

(2) *Automobile.* Third quarter earnings will be the poorest of the year. Fourth quarter should pick up for the Big Two and some increase for Chrysler can be anticipated. The independents face a troublesome period with extensive and costly competition barring the way to profits. General Motors should show unusually high earnings.

(3) *Aircraft.* High earnings for the third and fourth quarters are certain and most companies have large benefits from expiration of EPT. Profit margins are increasing, with development costs absorbed in full or to a large degree. Renegotiation remains a possibility but thus far the Government has given no indication that it will press for adjustments of profits. In any case, renegotiation, if it comes, is likely to be at a far less oppressive rate than during World War II. Boeing and Douglas lead in earnings.

(4) *Chemicals.* A slight upturn in sales in the third quarter seems to lay the basis for further increase in the final period. Generally, total profits for the year will be somewhat under those of 1953 but with conditions varying widely in this heterogenous industry, generalizations are impractical. Each company must be appraised individually.

(5) *Rubber & Tire.* Third quarter earnings slightly lower than second quarter, owing mainly to higher wage costs. Fourth quarter likely to continue this moderate trend. Outlook for early 1955 not entirely clear pending definite trend in auto industry. Diversification in chemicals and related products a strong stabilizing factor. Of the three leaders, Goodyear and U. S. Rubber are expected to show small declines for 1954 and Goodrich should score a modest advance.

(6) *Petroleum.* With prices and production slightly lower than last year, third quarter earnings (company reports not out yet) are estimated at slightly under those of the corresponding period last year. Basic trend indicates a slight dip in earnings for fourth quarter, probably continuing into first quarter 1955. Fundamentally, however, the differences in earnings between this and last year are minor and the industry remains one of the most solidly prosperous and likely to continue so indefinitely. Most oil company earnings are comparatively satisfactory, with very few exceptions.

(7) *Rail Equipment.* Earnings are approximately one-third under those of a year ago and little prospect for improvement for the balance of the year or early in 1955. Railroads are still materially reducing their expenditures for new equipment. Of the group, General American Transport and Union Tank Car are in an especially strong position.

(8) *Farm Equipment.* Earnings have held up better than expected for the group as a whole but individual company prospects vary widely. Deere's and International Harvester's earnings will be well below those of last year but Allis Chalmers is expected to score an impressive gain.

(9) *Paper.* The paper industry has remained remarkably prosperous this year but third quarter earnings may show a moderate decline. A slight falling off in sales is anticipated for the fourth quarter and earnings may be off to a minor extent. For the full year, total earnings should slightly exceed those of 1953. Among the leaders, International Paper is expected to earn slightly under the $6.44 a share in 1953.

(10) *Electrical Equipment.* Aside from radio and TV, this industry remains among the strongest and earnings probably will top those of 1953, also a highly prosperous year. Major beneficiaries are the heavy equipment makers, General Electric and Westinghouse, in particular, and the specialized electronics manufacturers, such as Minneapolis-Honeywell and McGraw Electric. Fourth quarter earnings outlook remains strong and conditions should be satisfactory in early 1955.

(11) *Aircraft suppliers.* This group, comprised of such companies as Sperry, Bendix and Borg-Warner, whose production is heavily geared to supplying the aircraft industry with parts is having an exceptional year with respect to earnings, aided, of course, by the lapse of EPT. The earnings trend for this group continues strongly upward.

In the next issue, we will continue this analysis of third quarter earnings, confining ourselves exclusively to individual company reports. The table accompanying this article is only a small section of our statistical break-down of earnings and will be supplemented by a more extensive tabulation in the next issue. —END

For Profit and Income

(*Continued from page* 155)

protection. So there is now a patent fight going on over tetracycline. American Cyanamid has sought a patent on its process for making the drug, and has brought suit against Bristol-Myers for infringement. Pfizer claims patent right on the product itself; and it has won the initial legal round in the battle, since (if current press reports are correct) the U. S. Patent Office has granted the company's motion to exclude Bristol-Myers, American Cyanamid and others from interference. No doubt the issue will finally be settled in the courts. Pfizer would gain importantly if the ruling cited is upheld, but would not be damaged too greatly by a contrary decision. If it does not retain a product patent, probably no maker will get one; in which case Pfizer has the means and know-how to compete effectively with others in producing and selling the drug. But if it becomes Pfizer's "Tetracycline", with others barred from making it except by paying royalty, that would cost Bristol-Myers and Cyanamid some money. On long-run growth potentials, regardless of how this battle comes out, Pfizer is the more attractive of the three stocks. As a matter of fact, its market action in recent months has been significant in view of poor action of other ethical drug stocks. —END

Isn't This The Kind of Service You Want?

On July 20, 1954, Mr. C. B. of Hollis, N. Y. subscribed to The Forecast for one year. On October 20, three months later, he extended his enrollment to July, 1957, stating: *"Enclosed is my check for $200 to cover extension of my subscription, which is only a few months old, for a period of two years. The experiences I have had in the short time I have your service, justify my doing so. I bought 50 Sperry at 64½, sold at 77½. You can see my outlay has already been covered by the 25 Sperry."*

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This satisfaction typifies the attitude of our subscribers who have shared in our highly profitable record this year. For example, in our April 13th bulletin we advised all subscribers to buy General Dynamics at 43 (to yield 8.1%). At this writing it is selling at 67 . . . with a profit of 24 points or 55.8%.

This Forecast selection may eventually equal our recommendation of Boeing in December, 1953 at 46 (yield 10.8%).

In May it was split 2-for-1, marking subscribers' cost to 23. It is now at 62⅛ . . . showing 39⅛ points rise—over 170%.

Southern Railway—recommended at 61—was split 2-for-1—cutting our buying price to 30½. It is currently at 61½ giving subscribers 101% appreciation. The $3.50 dividend means an 11.47% yield at our cost price.

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Labor's Move for Political Dominance

(*Continued from page* 133)

House stamps him as completely business dominated and foe of unions."

The Labor leaders are making an increased appeal to the woman voter. Each major group has its own special woman's committee with a director in charge, well paid and with a generous travelling and expense account. Women's chapters are organized in every local and an immense amount of education is furnished on labor subjects. One such woman director explained that, in the last Presidential election, for instance, many labor wives voted opposite their husbands' votes, swept away by sentimental reasons, glamour and whatnot. It is Labor's job, she said, to explain to women that nothing else matters but high wages, improved working conditions, greater security and all other labor objectives.

Handling Pension Fund Scandal

There can be little doubt that organized labor was somewhat frightened at the general effect of recent scandals in the handling of labor pension funds. The flagrant case of the CIO Retail, Wholesale & Department Store Union in New York prompted a meeting of the CIO Executive Committee which created a special standing committee "empowered to crack down on any corruption in handling welfare or other union funds." President Walter Reuther of the CIO appointed Jacob S. Potofsky, President of the CIO Clothing Workers, Chairman and James Curran of the Maritime Union and James G. Thimmes of the Steelworkers, members, to handle the situation.

In a policy statement and in press statements after the Executive Committee meeting, Mr. Reuther fulminated against any misuse of union funds but was careful to say that "wherever there is a crooked labor leader there is a crooked employer." Mr. Reuther said that the New York misuse of funds was "penny ante stuff. The biggest crooks are employers and insurance officials who accept kickbacks." He made the sweeping pronouncement that "when you apply business ethics to trade union practices, you get corruption and we won't tolerate it." Mr. Reuther warned that, in any Congressional investigation and projected legislation there must be no attempt "to curtail the area of collective bargaining under the guise of preventing abuses."

In the same vein, Dave Beck, President of the Teamsters, in an editorial in his paper, The Teamster, observed: "I emphasize my view that the employers who sought the law (Taft-Hartley) must take a greater share of responsibility if welfare funds are abused or misused—they are also the culprits."

Labor leaders strive for political domination for a variety of reasons: some, doubtless, in a sincere wish to better the lot of workers even at everyone's else expense, some for the emoluments of office, some through love of power not only over millions of rank and file workers but over overawed politicians. One reason why the recently agreed upon CIO-AFL unity cannot be regarded as immediately impending is tremendous rivalries for big jobs which, conceivably, would be diminished in number and importance by unification.

The most important recent example of political acumen is furnished by the kennel and bird dog story of Secretary of Defense Wilson. It was not the Chairman of the Democratic National Committee, it was not any Democratic candidate or even newspaper that called instant attention to an anti-labor interpretation to be placed on the utterance. It was Walter Reuther of the CIO who when his last convention tried to fix his salary at $25,000 a year, said he would not take a cent more than $18,000. Was it not Caesar who thrice refused a crown?

The writer has cited some of the more recent instances of the new tack of labor unions, as they enter the political arena. It is an astutely planned maneuver. One should not dismiss it, as a temporary phenomenon. The long-range plan for labor dominance of national and local politics has already been laid. Far greater activity along these lines is clearly in sight. This is a new force in America, though it looks like an old and familiar one. It may not reach its full power until the 1960's but when it does it will have to be reckoned with. —END

What is Causing New Excitement in Gold?

(*Continued from page* 135)

it is safe to predict that none of the nations will attempt a return to the gold standard until it is far safer than the present to do so and that in any case they will wait for the United States to take the lead.

Recent proceedings at the conference of officials at the International Bank for Settlements and the International Monetary Fund in Washington have made it clear that convertibility is still some distance off. Until the prospect for convertibility improves on a more realistic basis, it is not likely that the United States government will make any move toward freeing gold.

Who Wants Gold Resumption?

It is abundantly clear that neither the United States government nor the more important governments in the Western world are yet in a position to advance the time of a return to a gold standard. It may be asked then why in the face of this formidable opposition, some nevertheless believe there is a practical chance of restoring the gold standard, as evidenced by the number of bills introduced into the Congressional legislative mill in the past year. One of the chief factors creating a new interest in the gold standard in the United States, after years of dormancy, is the fact that some highly responsible economists are now convinced that this is the only form of control possible which can halt the dreary succession of U. S. budgetary deficits, and that action should be taken before inflation finally gets out of hand. They point to the fact that even the Eisenhower administration with its avowedly conservative slant has been unable to halt the imbalance in the government debt and that this can only mean eventual disaster if permitted to go uninterrupted.

Thus we have the curious situation of two diametrically opposed solutions which have the same objective, namely, to maintain monetary stability. It is difficult to say with any degree of certainty as to which of the two contenders will win out over the

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What is Causing New Excitement in Gold?

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longer term but the advantage at present is with those guiding the Treasury and the central banks who believe it is too soon to get back on the gold standard. Nevertheless, if, in the next few years, deficits continue to mount, advocates of gold redemption of currency will gain a great deal of strength.

What It Means to Speculators

Among the more obvious proponents of a return to the gold standard, with its corollary of a rise in the price of gold, are speculators and, naturally, the gold mining companies. The latter have certainly suffered as a result of the rise in costs caused by years of inflation and want a price for gold that will give them a profit. Speculators, especially those of foreign origin who specialize in gold transactions, would like to see a universally free market in gold so as to have a surer base for their manipulations. At present, they are despondent because the world price of gold has slumped to the statutory limit of the United States—$35 an ounce—after having sold as high as $60 an ounce in Hong Kong in 1949. Once gold is freed in the United States, however, they can see a return to the old days of highly profitable dealing in the metal. The potentialities in this direction can easily be visualized when it is considered that the loss of any substantial amount of gold now held in Fort Knox could set into motion immense long-term inflationary influences, through expanding the national base of money and credit, and, thereby, automatically set off a spiral of public demand for gold that would play right into the hands of the speculators.

The $22 billion dollar horde of gold which the U. S. possesses gives our dollar a degree of stability, and acts as a firm anchor to which other currencies are safely tied. If this anchor were removed, many foreign currencies would be set adrift.

This brings to attention one aspect of a return to gold that has generally escaped attention and that is the concealed interest which the Soviet Union has in such a development. The leverage of gold as a factor in the financial stability of governments is obvious, particularly under post-war conditions which have not as yet permitted the free governments to operate on a basis of true financial stability. By encouraging world-wide hoarding and speculation in the price of gold, resumption of specie payments in the United States might have a tendency to undermine the financial position of many governments. This, of course, is something the Soviets would be glad to assist by relentless manipulation in the world markets for the metal. As one of the world's chief gold producers, Russia is clearly in a position to manipulate the price of gold to her own satisfaction, once the United States lets the bars down.

This, in brief, is the outline of the intensely interesting gold story as it shapes up today. Many details, of course, have been omitted simply for lack of space. Considering the vast significance of an ultimate return to the gold standard, it behooves the intelligent American to keep closely abreast of any developments bearing on this subject which may manifest themselves in Congress during the course of the next year. Whether or not we can control inflation with effective monetary instruments may well depend on the outcome of the important initial moves now taking place to put us back on a gold standard.

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Answers to Inquiries

(*Continued from page* 161)

were off approximately 43% to $6,683,795, but since Federal income excess profit taxes averaged 56½% for the year, against 70% previously, net income after taxes was off around $2,543,795. Earnings were equivalent to $5.95 per share on 427,248 shares of common stock outstanding at the year end against $7.56 earned on substantially the same number of shares in the preceding year.

On June 30th, 1954, current assets totaled $17,521,958 and current liabilities were $7,433,418 leaving net working capital slightly over $10 million.

Dividends in 1953 totaled $3.00 per share and $2.50 has been paid thus far in 1954.

United Merchants & Manufacturers

"I have been a subscriber to your magazine for a long time. Please furnish late Information on United Merchants & Mfrs."

N. H., Wheeling, West Virginia

Net earnings of United Merchants & Manufacturers, Inc. for the fiscal year ended June 30th, 1954 were $9,161,569 equivalent to $1.74 per share on 5,278,531 shares outstanding. This compares with net earnings for the year ended June 30th, 1953 of $9,302,268, equal to $1.76 per share on the same number of shares.

Total net sales for the fiscal period amounted to $343,010,088, including intercompany sales of $42,822,152. For the previous year, these figures were $307,563,592 and $19,365,575.

Working capital increased $5,687,192, with current assets of $131,594,078 and current liabilities of $54,721,883. Total net worth was $105,160,911 compared with $94,327,947 last year.

While conditions in the textile industry continued keenly competitive the company has added to its financial strength and improved its plants, and also increased diversification. The reorientation of newly acquired properties and the development and marketing of new products should help provide a better basis for the future. The president of the company feels drastic inventory readjustments are behind us and conditions in the textile market are expected to show some measure of improvement.

One example of the importance of research and development work to the company was the development in conjunction with Monsanto Chemical Company of an adhesive backed plastic film called "Con-Tact" which has already shown evidence of customer acceptance. Industrial fiber production has been moved to enlarged and improved quarters in North Carolina. South American acetate rayon plants are being enlarged to take care of increased requirements.

Robert Hall Clothes, Inc., the company's retail clothing chain, has continued its planned program of nation-wide expansion with the addition of 18 units during the year, bringing the total to 180 stores.

Current quarterly dividend rate is 25c per share. —END

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